This Management's Discussion and Analysis ("MD&A") contains information about the consolidated performance and financial position of Avante Logixx Inc. (the "Company") as at and for the years ended March 31, 2021 and 2020, as well as forward-looking information about future periods. The information in this MD&A is current to July 20, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto as at and for the years ended March 31, 2021 and 2020.

The accompanying audited consolidated financial statements of the Company were prepared by and are the responsibility of the Company's management. The Company's audited consolidated financial statements as at and for the years ended March 31, 2021 and 2020 were prepared in accordance with *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 years ended March 31 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. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions and the successful completion and integration of proposed acquisitions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company's control. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

NON-IFRS MEASURES

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

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

A reconciliation of net income or loss (as determined under IFRS) to EBITDA and Adjusted EBITDA is provided in the Reconciliation of Non-IFRS Measures section of this MD&A.

OVERVIEW OF AVANTE AND HIGHLIGHTS

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

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

The Company is organized into two operating segments consisting of Logixx Security Inc. ("Logixx Security") and Avante Security Inc. ("Avante Security"), based on the type of customer serviced and as described in further detail in the Business Segment Operating Results section of this MD&A. A third division, 70% owned City Wide Locksmiths Ltd. ("City Wide"), was sold on September 30, 2020, r*efer to Note 23 to the Consolidated Financial Statements for the years ended March 31, 2021 and 2020*. In summary, Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Avante Security focuses on providing residential customers with similar services within central Toronto and Muskoka, Ontario. City Wide focused on both residential and commercial customers by selling and installing Security Devices and Hardware mainly within the Greater Toronto Area.

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

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

i) invest in the parent company management structure to create the capability to grow by way of acquisition (senior leadership, and corporate development); and

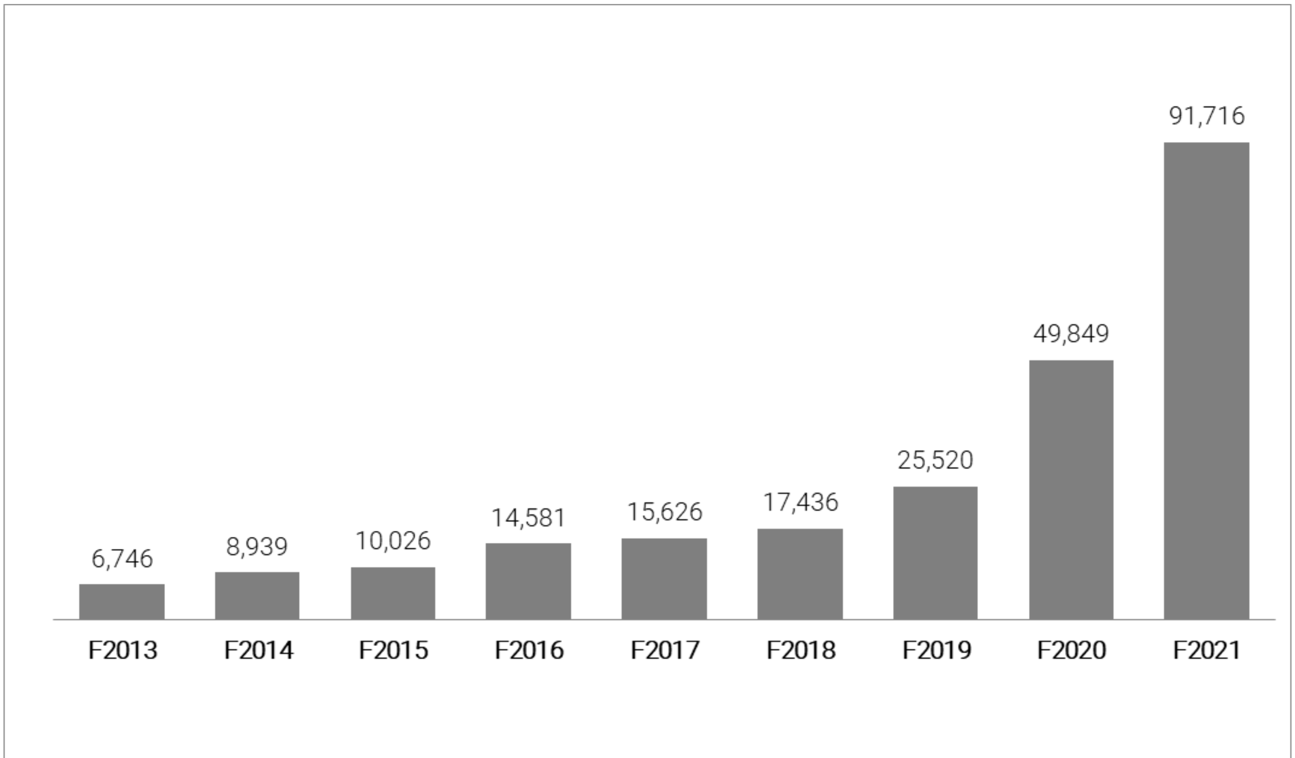
ii) look for opportunities to leverage previous acquisitions to gain synergies and create a shared services infrastructure to efficiently deliver services such as: human resources, management information services, marketing and sales.

The Company added key talent throughout fiscal 2019 and 2020 at the operational, management and executive level, creating, enhancing and expanding the support platform of Finance & Administration, Human Resources, Sales and Marketing and IT. The Company believes that these investments in people, technology and processes are critical to achieving the scale required to realize its strategy of building a technology-enabled security solution and one stop security provider to large, national commercial clients and for high-net-worth residential customers.

These investments are the foundation for the Company's growth platform. Management of the Company expects costs, as a percentage of total revenue, to decrease as the Company grows organically, acquires additional companies and realizes further synergies. This is evidenced by the decrease over the last eight fiscal quarters in operating expenses as a percentage of revenue (excluding depreciation, amortization, interest and accretion interest, non-cash share-based payments) which decreased to 14.3% for the fourth quarter ended March 31, 2021 from 27.7% during the first quarter of fiscal 2020 ended June 30, 2019, further discussed in the Operating Expenses section of this MD&A.

During fiscal 2020 (on December 1, 2019), the Company acquired A.S.A.P. Secured Inc. ("ASAP", rebranded and amalgamated with Logixx Security Inc. on April 1, 2020), for approximately $9.3 million, subject to normal working capital and holdback adjustments. The acquisition of ASAP was strategic and expanded the national footprint of the Company's Protective Services activities within Logixx Security for enterprise clients and expanded the number of industry verticals, including retail, consumer products and mining to the Company's customer portfolio. *Refer to Note 12 to the Consolidated Financial Statements years ended March 31, 2021 and 2020.* The aggregate revenues, gross profit and Adjusted EBITDA of this acquisition for the period from April 1, 2019 to the date of acquisition was approximately $17.2 million, $3 million and $0.564 million, respectively. The acquisition of ASAP was funded by a promissory note in the amount of $2,625 (before discounting for accounting purposes) from the vendors of ASAP and by way of a Convertible Debenture issuance of $8,264 (refer to the Liquidity & Capital Resources section of this MD&A and *Note 19 to the Consolidated Financial Statements for the years ended March 31, 2021 and 2020*). ASAP was legally amalgamated into Logixx Security on April 1, 2020.

As at March 31, 2021, the Company's full-time and part-time headcount was 1,852 compared to 1,525 as at March 31, 2020. Historical consolidated annual revenues from continuing operations of the Company are summarized below:



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

STRATEGY

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

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

Make strategic acquisitions

- Pursue opportunities that will strengthen the Company's value proposition and expand its platform, achieving operational efficiencies through increased scale and consolidation of acquisitions.

- Apply strict criteria to ensure alignment, accretion and return on invested capital.

Grow organically

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

Improve business operations

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

Consolidated objectives and outlook

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

- Invest in platform and tuck-in acquisitions as described above;
- Achieve consolidated Adjusted EBITDA margins consistent with its industry;
- Achieve growth in adjusted net income per share;
- Reinvest cashflow in future business growth; and
- Target a ratio of Net Senior Debt to Adjusted EBITDA consistent with its industry.

FISCAL 2020 ACQUISITION

On December 1, 2019, the Company acquired all of the outstanding shares of A.S.A.P Secured Inc. ("ASAP"). ASAP is a commercial security services provider that offers high-end low-profile security guards and patrols, as well as numerous complementary security services across Canada. The acquisition brought strategic capabilities to the Company that accelerated the realization of the Company's vision of building a technology-enabled security solutions provider. The acquisition further extended the Company's presence in the commercial security market on a national basis and, on April 1, 2020, ASAP was legally amalgamated into Logixx Security.

The total consideration paid for the outstanding shares of ASAP was initially $10,270 and was funded through the combination of the issuance of a non-transferrable Promissory Note in the principal amount of $2,625 and drawing of $8,264 (less transaction costs) under a Convertible Debenture facility. The initial consideration payable for ASAP was subject to certain post-closing net working capital adjustments as well as gross profit adjustments that could have applied to reduce the Promissory Note. On June 24, 2020, the parties settled all net amounts owing in respect of the working capital adjustments. During March and April 2021, the parties agreed upon the final principal amount of the Promissory Note and the Company paid that final net amount, resulting in a final purchase price for the acquisition of $9,300.

SELECTED FINANCIAL INFORMATION

The following selected financial information for the years ended March 31, 2021 and 2020 have been derived from the audited consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section of this MD&A.

	FY 2020					FY 2021				
$ in thousands, unless otherwise noted	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
Revenues	9,955	10,222	12,642	17,030	49,849	18,204	23,602	25,204	24,706	91,716
Cost of goods sold	7,268	7,135	9,823	13,935	38,161	14,081	17,828	19,620	19,353	70,882
Gross profit	2,687	3,089	2,818	3,095	11,688	4,123	5,774	5,584	5,353	20,834
Gross profit margin	27.0%	30.2%	22.3%	18.2%	23.4%	22.6%	24.5%	22.2%	21.7%	22.7%
Direct operating expenses	2,757	2,584	3,075	3,539	11,956	3,468	4,034	3,880	3,537	14,919
Direct operating expense as a percent of revenue	27.7%	25.3%	24.3%	20.8%	24.0%	19.1%	17.1%	15.4%	14.3%	16.3%
Adjusted EBITDA from continuing operations	(36)	532	(377)	(450)	(331)	637	1,719	1,633	2,055	6,044
Adjusted EBITDA from discontinued operations(1)	150	192	50	(9)	383	120	502	–	–	622
Total adjusted EBITDA	114	724	(327)	(459)	52	757	2,221	1,633	2,055	6,666
Total comprehensive income (loss) attributable to Avante shareholders on continuing operations	(998)	(248)	(1,686)	(260)	(3,192)	(1,256)	(368)	(1,493)	166	(2,951)

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

Results for the Years Ended March 31, 2021 and 2020

Revenues

Revenues for the year ended March 31, 2021 were $91.7 million, compared with $49.8 million for the prior year, an increase of $41.9 million, or 84.0%. The increase was due to the acquisition of ASAP completed on December 1, 2019, as well as further initiatives to generate organic growth.

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

	FY 2020					FY 2021				
	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
Recurring	1,957	2,083	1,917	2,055	8,012	2,094	2,137	2,194	2,380	8,805
Contractual	4,951	4,787	7,824	12,586	30,148	12,102	13,263	15,019	14,643	55,027
Total recurring and contractual	6,908	6,870	9,741	14,641	38,160	14,196	15,400	17,213	17,023	63,832
Total consolidated revenue	9,955	10,222	12,642	17,030	49,849	18,204	23,602	25,204	24,706	91,716
As a percent of total revenue	69.4%	67.2%	77.1%	86.0%	76.6%	78.0%	65.2%	68.3%	68.9%	69.6%

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

Recurring Monitoring revenue was $8.8 million for year ended March 31, 2021, compared to $8.0 million for the prior year, an increase of $0.8 million, or approximately 9.9%. Contractual revenues were $55.0 million in the year ended March 31, 2021, compared to $30.1 million for the prior year, an increase of 24.9 million or 82.5%. The prior periods have been adjusted to remove revenue related to Secure Transportation and International Secure Transportation services from Contractual revenues as the revenue is recognized as the service is used and not on a subscription basis. The quarterly periods of fiscal 2021 have been adjusted to remove short term contract revenue specific to the COVID-19 pandemic. The decrease in the fourth quarter of fiscal 2021 is due to a lower number of days within the quarter of 90, compared to 92 days available in the second and third quarters. In fiscal 2020 a full quarter of ASAP (acquired on November 30, 2019) increased the fourth quarter contractual revenue. Total recurring and contractual revenues during the year ended March 31, 2021 increased by $25.7 million over the year ended March 31, 2020 and represented approximately 69.6% of the Company's consolidated revenue during the year ended March 31, 2021.

Gross Profit and Gross Profit Margin

Gross profit was $20.8 million for the year ended March 31, 2021, an increase of $9.1 million or 78.2% over the prior year, primarily due to increased revenues as a result of the ASAP acquisition and organic growth in revenues since that acquisition.

Gross profit margin was 22.7% for the year ended March 31, 2021 compared to 23.4% for the prior year. The year-over-year decrease in the gross profit margin is largely attributed to the increased concentration of Protective Services' revenues due to the changes in sales mix, as a result of the ASAP acquisition, as the protective services industry operates at a lower margin. Gross Profit and Gross Margin percentages by division were as follows during the fiscal quarters of fiscal 2020 and fiscal 2021, and during the years ended March 31, 2021 and 2020:

	FY 2020					FY 2021				
	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
Gross Profit										
Logixx Security	751	1,016	1,128	1,776	4,671	2,496	3,957	3,800	3,512	13,765
Avante Security	1,936	2,073	1,690	1,319	7,018	1,627	1,817	1,784	1,841	7,069
Total Gross Profit	2,687	3,089	2,818	3,095	11,689	4,123	5,774	5,584	5,353	20,834
Gross Margin										
Logixx Security	14.5%	18.2%	12.8%	13.4%	14.3%	17.0%	20.6%	18.1%	17.5%	18.4%
Avante Security	40.4%	44.5%	43.9%	34.7%	41.1%	43.9%	40.8%	41.2%	39.6%	41.2%
Total Gross Margin	27.0%	30.2%	22.3%	18.2%	23.4%	22.7%	24.5%	22.2%	21.7%	22.7%

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

Operating Expenses

Operating expenses, excluding depreciation, amortization, interest and share based payments, for the year ended March 31, 2021 were $14.9 million compared to $11.9 million during the prior year, an increase of $3.0 million, or 24.8%. Adjusted operating expenses as a percentage of revenues decreased over the last eight fiscal quarters from 27.7% during the first quarter ended June 30, 2019 to 14.3% during the current year's fourth quarter. In fiscal 2020, interest expense was included as part of operating expenses for the first three quarters. In the fourth quarter, management decided to exclude interest from operating expenses.

	FY 2020					FY2021				
	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021
Operating expenses	3,391	3,242	3,676	4,834	15,143	4,734	5,319	5,023	4,814	19,890
Less					-					
Interest expense	64	60	37	-	161	-	-	-	-	-
Accretion interest expense	-	-	98	-	98	-	-	-	-	-
Depreciation	267	279	251	293	1,090	291	313	313	180	1,096
Amortization	185	187	208	896	1,476	914	913	893	893	3,613
Commission amortization	38	56	(5)	71	160	6	-	-	182	188
Share based payments	80	75	12	35	202	55	59	(62)	21	73
Adjusted operating expenses	2,757	2,584	3,075	3,539	11,955	3,468	4,035	3,880	3,538	14,921
Revenue	9,955	10,222	12,642	17,030	49,849	18,204	23,602	25,204	24,706	91,716
Operating expense as a % of revenue	27.7%	25.3%	24.3%	20.8%	24.0%	19.1%	17.1%	15.4%	14.3%	16.3%

The year-over-year increase in people costs reflected within operating expenses, and other operating expenses, is the result of the acquisition of ASAP on December 1, 2019. The improvement in operating expenses as a percentage of revenues over the last eight fiscal quarters reflects the benefits of scale arising from several acquisitions completed during fiscal 2019 and 2020 as well as from organic growth in revenues during fiscal 2021.

Interest expense

Interest costs, including accretion interest expense, for the year ending March 31, 2021 were $1.54 million compared with $0.615 million during the prior year. The increase in interest expense for the current year is directly attributed to the acquisition of ASAP on December 1, 2019, which was funded by drawing on the Convertible Debenture, issuance of a vendor take back note to the vendors of ASAP and additional drawings under the Company's acquisition credit facility as well as incremental drawings under the Company's revolving credit facility to fund working capital in support of growth of the business. Such drawings on the revolving credit facility declined towards the end of fiscal 2021.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA from continuing operations for the year ended March 31, 2021, was $3.2 million and $6.0 million as compared to March 31, 2020's EBITDA and Adjusted EBITDA of $(0.46) million and $(0.33) million respectively. Adjusted EBITDA during the fourth quarter of Fiscal 2021 benefited from a foreign exchange gain of $0.225 million with the full year reflecting a loss of $0.002 million. During the fourth quarter of fiscal 2020, the foreign exchange gain was $0.094 million with the full year gain being $0.65 million. The quarterly composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal periods are summarized below:

	FY2020				FY2021			
$ in thousands, unless otherwise noted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues	9,955	10,222	12,642	17,030	18,204	23,602	25,204	24,706
Gross profit [1]	2,687	3,089	2,818	3,095	4,123	5,774	5,584	5,353
Gross profit margin [1]	*27.0%*	*30.2%*	*22.3%*	*18.2%*	*22.6%*	*24.5%*	*22.2%*	*21.7%*
Net Income (loss)	**(748)**	**(97)**	**(1,568)**	**(205)**	**(1,316)**	**(529)**	**(1,493)**	**166**
Net income (loss) from discontinued operations	40	34	(104)	(70)	44	326	–	–
Total net income (loss)	**(708)**	**(63)**	**(1,671)**	**(275)**	**(1,272)**	**(203)**	**(1,493)**	**166**
Interest expense	64	60	37	104	85	98	96	87
Accretion interest expense[2]	–	–	98	253	285	292	300	296
Income taxes	(74)	(136)	(318)	(659)	(53)	104	(1)	(144)
Amortization on capitalized commission	38	56	(5)	71	6	–	–	182
Depreciation on capital assets	267	279	251	293	291	313	313	180
Amortization	185	187	208	896	914	912	893	893
EBITDA [1]	**(268)**	**349**	**(1,297)**	**753**	**212**	**1,190**	**108**	**1,660**
EBITDA from discontinued operations	116	192	50	(9)	120	502	–	–
Total EBITDA	**(152)**	**542**	**(1,248)**	**744**	**332**	**1,693**	**108**	**1,660**
Write-down of intangible assets	–	–	–	172	–	–	–	–
Share based compensation	80	75	12	35	55	59	(62)	21
Reorganization and acquisition costs	151	107	500	1,140	431	(114)	171	192
Loss (gain) in fair value of derivative liability	–	–	389	(2,599)	(75)	572	1,404	169
Other Adjustments	–	–	21	–	–	–	–	–
Deferred finance fees	–	–	–	49	13	12	12	12
Adjusted EBITDA [1]	**(36)**	**532**	**(377)**	**(450)**	**637**	**1,719**	**1,633**	**2,055**
Adjusted EBITDA from discontinued operations	150	192	50	(9)	120	502	–	–
Total adjusted EBITDA [1]	**114**	**724**	**(327)**	**(459)**	**757**	**2,221**	**1,633**	**2,055**
Total comprehensive income (loss)	(1,003)	(246)	(1,725)	(286)	(1,248)	(274)	(1,493)	166
Comprehensive income (loss) attributable to equity holders	(998)	(250)	(1,687)	(257)	(1,256)	(367)	(1,493)	165
Basic and fully diluted earnings per share	$ (0.035)	$ (0.003)	$ (0.077)	$ (0.012)	$ (0.059)	$ (0.025)	$ (0.070)	$ 0.010
Total assets	34,282	33,033	48,542	49,095	48,066	45,400	43,609	44,106
Senior funded debt	3,128	2,958	8,201	9,201	10,456	8,233	7,829	6,926
Total debt and lease obligations, IFRS	5,057	4,821	18,870	17,692	18,899	16,761	18,071	17,729

1. For Non-IFRS Measures see Reconciliation of Non-IFRS Measures Section of this MD&A
2. Accretion interest expense for debenture and promissory note

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

Restructuring and Acquisition Charge

During the four quarterly periods ended March 31, 2020, the Company recorded acquisition charges of $0.682 million and restructuring charges of $1.217 million reflecting the costs of $0.784 million severances to achieve acquisition synergies, acquisition costs related to the settlement of prior acquisition purchase prices, and legal entity amalgamation costs to achieve anticipated synergies. Operating expenses during the year ended March 31, 2021 benefited from the severance charge taken in the fourth quarter of Fiscal 2020. Restructuring and acquisition costs during fiscal 2021 amounted to an expense of $0.681 million.

Balance Sheet

Total assets decreased by $4.9 million, or 9.9%, during the fiscal year ended March 31, 2021 compared to the prior year end as at March 31, 2020.

As of March 31, 2021, trade receivables and unbilled trade receivables, net of the allowance for doubtful accounts, amounted to $18.0 million compared to $15.8 million as of March 31, 2020, an increase of $2.2 million. The increase in trade receivables is attributed to the Logixx Security receivables, as it experienced growth in revenues during the months of June 2020 through March 2021. This was offset by reduced receivables within Avante Security due to stronger collection activities. Non-Trade receivables decreased from $0.7 million to $0.1 million during fiscal 2021 reflecting payment during June 2020 of the closing working capital adjustment by the vendors of ASAP offset by $0.05 million of the $0.45 million vendor take back note arising from the Company's September 30, 2020 sale of its 70% interest in City Wide. The Company is continuing to implement processes and initiatives focused on improving cash conversion cycles and optimizing working capital efficiency and the Company achieved lower trade accounts receivable balances in relation to revenue levels during fiscal 2021.

Property, plant and equipment decreased by $0.1 million during the year ended March 31, 2021, due the sale of City Wide on September 30, 2020 and offset by the addition of replacement vehicle leases. Intangible assets declined during the year ended March 31, 2021 by $4.7 million. The sale of City Wide on September 30, 2020 reduced the intangibles by $1.1 million with the remaining amortization during fiscal 2021 due to required amortization of other intangible assets. The sale of City Wide reduced Goodwill by $0.9 million on September 30, 2020.

The Company recorded a fair value adjustment of $0.047 during the year ended March 31, 2021 and $0.543 million during the year ended March 31, 2020, which decreased the carrying value of its investment in 3|Sixty Secure Corp to $NIL. The fair value adjustment is recorded in other comprehensive loss on the Consolidated Statements of Loss and Comprehensive Loss.

BUSINESS SEGMENT OPERATING RESULTS

Up to and including the third quarter of fiscal 2020 ended December 31, 2019, the Company identified and measured the results of operations by segments based on type of service consisting of Protective Services, Electronic Security, Monitoring & Managed Services and Security Devices and Hardware. The Company sold the Security Devices and Hardware segment on September 30, 2020, r*efer to Note 23 to the Consolidated Financial Statements for years ended March 31, 2021 and 2020*.

During the fourth quarter of fiscal 2020 ended March 31, 2020, the Company's management determined that the Company's operating segments were organized into three divisions consisting of Logixx Security, Avante Security and City Wide (now sold) grouped primarily with reference to the nature of the type of customer serviced. Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Avante Security focuses on providing residential customers with similar services within central Toronto and Muskoka, Ontario. City Wide focused on providing both residential and commercial customers with Security Devices and Hardware mainly within the Greater Toronto Area. On September 30, 2020, the Company sold its ownership interest in City Wide.

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

The services offered by the segments consist of the following:

Protective Services

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

Electronic Security

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

Monitoring & Managed Services

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

Our monitoring services are provided through multiple channels using various technologies and equipment. Applications of these services include virtual video patrols of buildings, stores, malls, parking lots, daycare centers and hotels. Architects and builders use the services to view project progress from remote locations and homeowners station operators can view sites when alarm signals are received.

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

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

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

The monitoring function is provided by physical on-site inspections and can also be monitored remotely via CCTV and web-cameras. CCTV systems are installed to monitor multiple locations concurrently and to provide a visual record in the event of an incident.

Segment Reporting:

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

	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 74,952	$ 17,142	$ -	$ (379)	$ 91,716
Cost of sales	61,187	10,070	-	(376)	70,882
Gross profit	13,765	7,072	-	(3)	20,834
Direct operating expenses	7,909	5,326	1,687	(3)	14,919
Other operating expenses	489	717	3,766	-	4,971
Total operating expenses	8,398	6,043	5,453	(3)	19,890
Other (income) expenses	1,198	104	2,228	-	3,529
Reorganization and acquisition costs	484	-	196	-	681
Provision for income taxes	566	277	(937)	-	(94)
Net income (loss)	3,120	649	(6,940)	-	(3,172)
Current income tax expense (recovery)	52	-	-	-	52
Deferred income tax expense (recovery)	514	277	(937)	-	(146)
Interest expense	1,163	109	268	-	1,539
Depreciation and amortization	489	717	3,693	-	4,898
EBITDA	5,337	1,750	(3,916)	-	3,171
Share based compensation	-	-	73	-	73
Reorganization and acquisition	484	-	196	-	681
Loss (gain) in fair value of derivative liability	-	-	2,070	-	2,070
Deferred financing fees	-	-	49	-	49
Adjusted EBITDA from continuing operations	5,822	1,750	(1,528)	-	6,044

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

	FY 2020					FY 2021				
	Q1	**Q2**	**Q3**	**Q4**	**2020**	**Q1**	**Q2**	**Q3**	**Q4**	**2021**
Revenue										
Logixx Security	5,163	5,597	8,881	13,386	33,028	14,722	19,213	20,940	20,077	74,952
Avante Security	4,792	4,654	3,847	3,805	17,098	3,708	4,454	4,328	4,653	17,142
Intersegment eliminations	-	(29)	(86)	(161)	(277)	(226)	(65)	(64)	(24)	(379)
Total Revenue	**9,955**	**10,222**	**12,642**	**17,030**	**49,849**	**18,204**	**23,602**	**25,204**	**24,706**	**91,716**
COGS										
Logixx Security	4,377	4,582	7,789	11,571	28,319	12,226	15,256	17,140	16,565	61,187
Avante Security	2,856	2,582	2,122	2,521	10,080	2,081	2,634	2,544	2,812	10,070
Intersegment eliminations	35	(29)	(86)	(157)	(237)	(226)	(62)	(64)	(24)	(376)
Total COGS	**7,268**	**7,135**	**9,823**	**13,935**	**38,161**	**14,081**	**17,828**	**19,620**	**19,353**	**70,882**
Gross Profit										
Logixx Security	786	1,016	1,093	1,815	4,709	2,496	3,957	3,800	3,512	13,765
Avante Security	1,936	2,072	1,726	1,285	7,018	1,627	1,820	1,784	1,841	7,072
Intersegment eliminations	(35)	1	(1)	(5)	(40)	-	(3)	-	-	(3)
Total Gross Profit	**2,687**	**3,089**	**2,818**	**3,095**	**11,688**	**4,123**	**5,774**	**5,584**	**5,353**	**20,834**
Gross Margin										
Logixx Security	15.2%	18.2%	12.3%	13.6%	14.3%	17.0%	20.6%	18.1%	17.5%	18.4%
Avante Security	40.4%	44.5%	44.9%	33.8%	41.0%	43.9%	40.9%	41.2%	39.6%	41.3%
Total Gross Margin	**27.0%**	**30.2%**	**22.3%**	**18.2%**	**23.4%**	**22.6%**	**24.5%**	**22.2%**	**21.7%**	**22.7%**
Logixx Security						2,179	1,947	2,072	2,200	8,398
Avante Security						1,602	1,460	1,560	1,421	6,043
City Wide						-	-	-	-	-
Corporate						953	1,912	1,392	1,193	5,450
Total Opex	**3,391**	**3,242**	**3,676**	**4,834**	**15,143**	**4,734**	**5,319**	**5,023**	**4,814**	**19,890**
Logixx Security						318	2,010	1,728	1,312	5,368
Avante Security						24	360	224	420	1,029
City Wide						-	-	-	-	-
Corporate						(953)	(1,912)	(1,392)	(1,193)	(5,450)
Income (loss) before other income and expenses	**(704)**	**(153)**	**(858)**	**(1,739)**	**(3,455)**	**(611)**	**455**	**560**	**538**	**943**
Miscellaneous income (expense)	88	(19)	(118)	110	60	16	20	44	2	83
Foreign exchange gain (loss)	(54)	47	(22)	94	65	(48)	(52)	(127)	225	(2)
Depreciation	267	279	251	293	1,090	291	313	313	180	1,096
Amortization	185	187	208	896	1,476	914	912	893	893	3,613
Amortization on capitalized commission	38	56	(5)	71	160	6	-	-	182	189
Interest	64	60	135	(258)	-	-	-	-	-	-
Sharebased payments	80	75	12	35	202	55	59	(62)	21	73
Deferred financing fees	-	-	-	49	49	13	12	12	12	49
Other	-	-	21	-	21	-	-	-	-	-
Adjusted EBITDA from continuing operations	(36)	532	(377)	(450)	(331)	637	1,719	1,633	2,055	6,044
Adjusted EBITDA from Logixx Security						360	2,015	1,661	1,785	5,821
Adjusted EBITDA from Avante Security						161	550	425	614	1,750
Adjusted EBITDA from Corporate						116	(846)	(453)	(343)	(1,526)
Adjusted EBITDA from continuing operations	(36)	532	(377)	(450)	(331)	637	1,719	1,633	2,055	6,044

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

LOGIXX SECURITY

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

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

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

Fiscal 2021 revenue at Logixx Security of $75.0 million represents a $42 million increase over fiscal 2020. This increase was comprised of $24.9 million of organic growth based on the prior year's pro forma revenue, with the acquisition of ASAP effective December 1, 2019. Gross profit at Logixx Security during the fiscal year of 2021 is $13.8 million, compared to $4.7 million during fiscal 2020, with gross profit margins of 18.4% compared to 14.3%. The increase in gross profit margin is due to sales mix in Logixx Security, with an increase in additional services (or "specials") in the year, along with continued efforts for cost savings and pricing improvements during contract negotiations.

AVANTE SECURITY

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

INTO-Electronics Inc. was acquired on August 22, 2014 and legally amalgamated into Avante Security on April 1, 2018. LVS Inc. was acquired on April 1, 2015 and legally amalgamated into Avante Security on April 1, 2016. 51% of the outstanding common shares of Architronics Limited ("Architronics") was acquired on March 1, 2017, the remaining 49% of the outstanding common shares was acquired on July 16, 2018 and Architronics was legally amalgamated into Avante Security on October 1, 2018. Watermark Security Inc. ("Watermark") was acquired on August 1, 2018 and was legally amalgamated into Avante Security on October 1, 2018.

Revenues during fiscal 2021 at Avante Security of $17.1 million represents a $0.044 million increase over fiscal 2020. The increase in revenue during fiscal 2021 within Avante Security is directly related systems installations and monitoring RMR. Gross profit at Avante Security during the year of fiscal 2021 is $7.1 million, compared to $7.0 million during fiscal 2020, with gross profit margins of 41.3% compared to 41.0%.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Cash Flows

Cash flows during the years ended March 31, 2021 and 2020 from continuing operations are summarized as follows:

$ in thousands	Mar 31, 2021	Mar 31, 2020
Cash Inflows (Outflows) by Activity		
Cash flow from (used in) operations	4,909	(2,785)
Non-cash working capital	(1,175)	(2,120)
Net operating activities	3,734	(4,905)
Financing activities	(3,818)	10,473
Investing activities	207	(6,580)
Net cash inflows (outflows) from continuing operations	123	(1,012)
Net cash inflows (outflows) from discontinued operations	161	275
Net cash inflows (outflows)	284	(836)

Operating Activities

Cash flow from operations before working capital was $4.9 million during fiscal 2021 as compared to $(2.9) million of cash used in operations before working capital during fiscal 2020. Cash flow from Operating Activities during fiscal 2021 was $3.7 million as compared to $(5.0) million used in Operating Activities during fiscal 2020. The positive cash flow from operations during fiscal 2021 was due to increased intangible assets amortization, the accounting loss on the derivative liability applicable to the convertible debenture versus a gain in the prior year and offset by increased interest expense. Cash used in non-cash working capital was $(1.2) million during fiscal 2021 as compared to $(2.1) million used to fund non-cash working capital during fiscal 2020 with fiscal 2021 benefiting from strong collections of accounts receivable within Avante Security offset by growing working capital requirements within Logixx Security to support its growth in year-over-year revenues.

Financing Activities

Cash used in financing activities was $3.8 million during fiscal 2021, compared to cash provided from financing activities of $10.5 million during fiscal 2020. Cash used in financing activities of $3.8 million during fiscal 2021 included net drawings on the Company's senior credit facilities of approximately $0.3 million, offset by repayments of the Promissory Note due to the vendors of ASAP of $2.4 million as well as principal lease payments of $0.7 million and financing related payments of 0.9 million. During fiscal 2020, cash provided by financing activities of $10.5 million included $8.1 million provided by the convertible debentures issued and net drawings under the senior secured credit facilities of $4.0 million to fund working capital requirements offset by principal lease and other financing payments.

Investing Activities

Cash from investing activities was $0.2 million during fiscal 2021 compared to $(6.6) million used in investing activities during fiscal 2020.

On September 30, 2020, the Company realized net cash proceeds of approximately $1.8 million from the sale of its 70% interest in City Wide. The prior fiscal year included $6.8 million used for the acquisition of ASAP Secured Inc. on December 1, 2019.

The cash position as at March 31, 2021 was $1.6 million compared to $1.3 million as at March 31, 2020. The increase in cash during the fiscal year 2021 is mainly due to improved cash flow from operations offset by increased non-cash working capital requirements and cash used to reduce funded indebtedness during the year.

Senior Funded Debt

The Company's senior funded debt consists of advances under its senior secured credit facilities from a bank, a mortgage from the same bank, the Promissory Note due to the vendors of ASAP and vehicles loans. As at March 31, 2021 and March 31, 2020, such balances aggregated as follows:

$ in thousands	March 31, 2021	March 31, 2020
Revolving credit facility	$ -	$ 1,290
Term credit facility	6,356	4,800
Mortgage	354	363
Promissory note due to ASAP vendors	155	2,534
Vehicle loans	61	214
Total senior funded debt	$ 6,926	$ 9,201

The Company's senior funded debt totaled $6.9 million as at March 31, 2021 versus $9.2 million as at March 31, 2020, a net decrease of $2.3 million during fiscal 2021. The Promissory Note due to the vendors of ASAP was repaid by $2.4 million during fiscal 2021 as described under "Promissory Note" below. During the fiscal year 2021, on a net basis, the Company repaid $1.3 million of senior debt under the Company's revolving credit facility, drew $2.6 million under its Acquisition credit facility to fund repayment of the Promissory Note and made mandatory principal repayments under that credit facility of $1.1 million. Vehicle loans declined by $153 during fiscal 2021 due to the Company's sale of its 70% interest in City Wide.

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

	As at March 31, 2021		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility	$ 5,000	$ -	$ 5,000
Revolving acquisition facility	10,000	6,356	3,644
Mortgage	354	354	-
	$ 15,354	$ 6,710	$ 8,644

On November 20, 2020, the Company and its senior secured bank executed an amended and restated credit agreement that provides senior secured credit facilities, including a revolving demand facility of $5 million and an acquisition line of up to $10 million (capped at approximately $5 million as of April 2, 2020 until the Company was in compliance with the credit agreement's financial covenants during the fourth quarter of fiscal 2021). In accordance with the terms of the senior credit facilities, the Company must maintain certain covenants and ratios based on Non-IFRS financial measures on a rolling four-quarter basis, including a minimum Fixed Charge Coverage Ratio of 1.20 times and a maximum Senior Funded Bank Debt to Adjusted EBITDA ratio of 3.50 times (declining to 3.00 times on June 30, 2021). At March 31, 2021 the Company was compliant with all covenants and the $5 million cap on the acquisition facility set at April 2, 2020 was lifted to the initial facility limit of $10 million.

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

On June 30, 2021, the Company entered into a senior secured credit agreement with a bank that fully replaced the Company's existing senior secured banking arrangements and mortgage provided by its former bank. The new credit agreement provides an $8,000,000 revolving credit facility ("Facility A"), a $10,000,000 non-revolving term loan facility ("Facility B") and a $3,000,000 delayed-draw non-revolving term loan credit facility ("Facility C"), each with a three year maturity date ending May 19, 2024. The Company has the ability to draw upon Facility A and is subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company may draw upon Facility B in two tranches; Tranche 1 has a limit of $6,000,000 and Tranche 2 has a limit of $4,000,000. Tranche 2 may be drawn upon until July 31, 2021, after which the Tranche 2 limit is reduced to zero. Facility C is available until December 31, 2022 to fund delayed purchase price payments or other funding requirements applicable to future permitted acquisitions. The new credit agreement also provides for a corporate credit card facility and hedge-transaction credit facilities. Security for the new credit agreement consists of upstream guarantees from the Company's subsidiaries, supported by general security agreements providing for a first secured pledge of all assets of the Company and its subsidiaries. In accordance with the terms of these senior secured credit facilities, on a rolling four-quarter basis, the Company must maintain a minimum Fixed Charge Coverage Ratio of 1.10 times and a maximum leverage ratio of Funded Debt (net of permitted cash balances and excluding the convertible debentures) to Adjusted EBITDA of 3.25 times with a permitted two-quarter step up, following a permitted acquisition, of 3.50 times.

Convertible Debentures

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

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

Pursuant to the indenture, the Company's consolidated total indebtedness (excluding the Convertible Debentures) shall not exceed 6.5 times Adjusted EBITDA on a rolling four quarter basis and consolidated senior indebtedness shall not exceed 3.5 times Adjusted EBITDA on a rolling four quarter basis. As of March 31, 2021, the Company was in compliance with such financial covenants.

Promissory Note

Pursuant to the Company's purchase agreement in respect of ASAP, the Company entered into a Promissory Note due on March 4, 2021 or the note would become subject to interest if unpaid on that date. The amount payable to the vendors of ASAP under this note was to range from $NIL to $2.63 million depending on the gross profit performance of the acquired customers of the business over the first twelve months from acquisition closing on December 1, 2019 and to settle claims by the Company for breaches of representations and warranties of the vendors of ASAP. With the completion of that twelve-month period and settlement of certain claims, in March 2021, the Company paid the Promissory Note of $2,625,000, net of $36,554 for an agreed purchase price reduction, and $155,000 for potential third-party litigation claims. The remaining $155,000 was settled with interest in April 2021, net of legal fees paid by the Company on behalf of the vendor. These net payments were funded by drawing on the unused portion of the $10,000,000 acquisition facility provided by Company's senior secured lender.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2021, there were 21,192,004 common shares issued and outstanding, which is unchanged since March 31, 2020.

Issuance of Warrants

As at March 31, 2020, there were 258,750 warrants outstanding exercisable into 258,750 common shares, but on June 12, 2020, such warrants expired without being converted into common shares. As at March 31, 2021, there were no warrants outstanding or exercisable.

Issuance of Stock Options

As at March 31, 2021, there were a total of 1,440,000 options outstanding to purchase an equivalent of common shares, with a weighted average exercise price of $1.97, expiring at various dates between September 2021 and October 2025. During the fiscal year 2021, 50,000 options were granted with a strike price of $1.55 per share, no options were exercised, 55,333 options expired, and 325,000 options were cancelled. Should the outstanding options that were exercisable at March 31, 2021 be exercised, the Company would receive proceeds of approximately $2.84 million.

Issuance of Performance Share Units

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

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

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition. A performance letter of credit of $200,000 was issued to a customer as beneficiary on behalf of the Company by its bank during February 2020 and such letter of credit expires within one year of issue subject to an automatic renewal clause. The letter of credit is considered as utilization of the revolving credit facility limit.

Related Party Transactions

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

The Company provided services to 3i Partners Inc., a private company controlled by a significant shareholder and officer of the Company. During the year ended March, 2021, the Company invoiced 3i Partners Inc. $NIL (March 31, 2020: $4.3) at commercial rates.

The Company entered into a contract with Sissano Inc. effective May 1, 2018, a private company controlled by a significant shareholder to provide consulting services for the Company. The Company incurred $167 of expense during the year ended March 31, 2021 (March 31, 2020: $364).

The Company entered into a contract with XpressChek Inc., a private company controlled by a significant shareholder and officer of the Company to provide services for the Company. During the year ended March 31, 2021, the Company incurred $7,667 (March 31, 2020: $2,057) for these services.

Subsequent Events

On June 30, 2021, the Company entered into a senior secured credit agreement with a bank that fully replaced the Company's existing senior secured banking arrangements and mortgage provided by its former bank. The new credit agreement provides an $8,000,000 revolving credit facility, a $10,000,000 non-revolving term loan facility and a $3,000,000 delayed-draw non-revolving term loan credit facility, each with a three-year maturity date ending May 19, 2024. The Company has the ability to draw upon Facility A and is subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company may draw upon Facility B in two tranches; Tranche 1 has a limit of $6,000,000 and Tranche 2 has a limit of $4,000,000. Tranche 2 may be drawn upon until July 31, 2021, after which the Tranche 2 limit is reduced to zero. Facility C is available until December 31, 2022 to fund delayed purchase price payments or other funding requirements applicable to future permitted acquisitions. The new credit agreement also provides for a corporate credit card facility and hedge-transaction credit facilities. Security for the new credit agreement consists of upstream guarantees from the Company's subsidiaries, supported by general security agreements providing for a first secured pledge of all assets of the Company and its subsidiaries. In accordance with the terms of these senior secured credit facilities, on a rolling four-quarter basis, the Company must maintain a minimum Fixed Charge Coverage Ratio of 1.10 times and a maximum leverage ratio of Funded Debt (net of permitted cash balances and excluding the convertible debentures) to Adjusted EBITDA of 3.25 times with a permitted two-quarter step up, following a permitted acquisition, of 3.50 times.

RECONCILIATION OF NON-IFRS MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, Adjusted EBITDA, Gross Profit and Gross Profit Margin, Operating expenses as a percentage of revenue, and recurring monthly revenue. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

EBITDA and Adjusted EBITDA

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

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

	2020				2021			
$ in thousands	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income (loss)	**(748)**	**(97)**	**(1,568)**	**(205)**	**(1,316)**	**(529)**	**(1,493)**	**166**
Interest expense	64	60	37	104	85	98	96	87
Accretion interest expense (1)	–	–	98	253	285	292	300	296
Income taxes	(74)	(136)	(318)	(659)	(53)	104	(1)	(144)
Amortization on capitalized commission	38	56	(5)	71	6	–	–	182
Depreciation on capital assets	267	279	251	293	291	313	313	180
Amortization	185	187	208	896	914	912	893	893
EBITDA	**(268)**	**349**	**(1,297)**	**753**	**212**	**1,190**	**108**	**1,660**
Write-down of intangible assets	–	–	–	172	–	–	–	–
Share based compensation	80	75	12	35	55	59	(62)	21
Reorganization and acquisition costs	151	107	500	1,140	431	(114)	171	192
Loss (gain) in fair value of derivative liability	–	–	389	(2,599)	(75)	572	1,404	169
Deferred financing	–	–	–	49	13	12	12	12
Other	–	–	21	–	–	–	–	–
Adjusted EBITDA	**(36)**	**532**	**(377)**	**(450)**	**637**	**1,719**	**1,633**	**2,055**
Adjusted EBITDA from discontinued operations	150	192	50	(9)	120	502	–	–
Total Adjusted EBITDA	**114**	**724**	**(327)**	**(459)**	**757**	**2,221**	**1,633**	**2,055**

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

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

- *Loss (gain) in fair value of derivative liability* – The fair value of the Company's derivative liability relates to the estimated value for accounting purposes of the common share conversion right granted to the holders of the Company's unsecured, 7% Convertible Debentures until such debentures mature on November 27, 2024. Such value will fluctuate depending on the share price of the Company's common shares, the time remaining to the debentures' maturity date and the volatility of the Company's common share price. The loss, or gain, during the reporting period represents the increase, or decrease, in such value during the reporting period. Notwithstanding the loss or gain recorded during each fiscal quarter, the contractual liability of the Convertible Debentures remains unchanged at $8.264 million.

- *Share based payments* – Share based incentive compensation expense can vary based on the timing of when awards are issued and forfeitures. During 2021, 50,000 options were issued. All option grants are approved by the Board of Directors of the Company from the option pool approved by the shareholders at the most recent annual general meeting of the Company's shareholders.
- *Reorganization and acquisition costs* – During fiscal 2021, the Company recorded an expense of $0.681 million of reorganization costs and restructuring charges. These are mainly comprised of fees to settle prior acquisition escrow balances and legal amalgamation and rebranding of ASAP and Logixx Security as compared to $1.9 million during fiscal 2020.

Gross Profit and Gross Profit Margin

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

RISK AND UNCERTAINTIES

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

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

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the actively-traded public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market. Significant shareholders may also be able to exercise significant influence over any matter requiring shareholder approval in the future.

Risk of Dilution from Possible Future Offerings

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

Financing and Refinancing Risks

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

Ability to Achieve and Manage Growth

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

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

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

Market Competition

As the Company operates in a highly competitive sector, the Company's management has implemented a plan to concentrate on developing the Company's clientele in more profitable sectors, focusing on clients who want and recognize value added services that the Company offers.

Key Personnel

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

Government Regulations and Licensing

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

Information Technology Systems

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

Attrition of Accounts or Loss of Large Customers

Customer attrition of residential and loss of large enterprise customers results from a variety of different factors, including relocation of subscribers, financial difficulties experienced by the customer, competition, corporate mergers of customers, and other socio-economic factors. Demographic factors and credit quality of customers underwritten will have an impact on overall attrition levels. Within Logixx Security, one corporate customer under contract represented 16.4% of the Company's consolidated revenues during the fiscal year ended March 31, 2021. Any significant increase in the Company's attrition rates, or loss of customer contracts, could have a materially adverse effect on the Company's business, financial condition, or results of operations.

Credit Risk

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

Reputational Risk

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

Inflationary Risk

Strong economic conditions and competition for available personnel and materials may result in significant increases in the cost of obtaining such resources. To the greatest extent possible, the Company passes such cost increases on to its customers and it attempts to reduce these pressures through proactive procurement and human resource practices. Should these efforts not be successful, the gross margin and profitability of the Company could be adversely affected.

COVID-19

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

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

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

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash, accounts receivable, a promissory note due from the purchasers of the Company's ownership interest in City Wide, accounts payable and accrued liabilities, bank indebtedness, a promissory note due to the vendors of ASAP, a mortgage due to a bank, the Convertible Debentures and vehicle loans and obligations under finance leases. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values other than as set out in Note 19(c) "Liquidity Risk" of the Company's consolidated financial statements and notes thereto as at and for years ended March 31, 2021 and 2020.

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

For additional details on the Company's financial instruments, including the amount and classification of gains and losses recorded in the Company's consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in each calculation of the fair value of the Company's financial instruments, refer to Liquidity and Capital Resources in this MD&A and see Notes 7, 13, 14, 19, and 20 to the consolidated financial statements for the years ended March 31, 2021 and 2020.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Company uses the Black-Scholes model to determine the fair value of options, warrants and the equity component of the Convertible Debentures. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparable entities in the estimate of future volatilities. Additional factors affecting share-based compensation include estimates of when stock options might be exercised. The timing of the exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and the financial objectives of the share-based instrument holders. Similar factors and estimates are used to estimate the present value of the potential liability on March 31, 2023 related to the Performance Share Units based on a Monte Carlo valuation model.

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

CHANGES IN ACCOUNTING POLICIES

The Company's accounting policies are as disclosed in Note 3 of the Company's audited annual consolidated financial statements for the years ended March 31, 2021 and 2020. There were no material changes to the Company's accounting policies during fiscal 2021 or during fiscal 2020 other than the adoption of IFRS 16 in fiscal 2020. The Company opted to change the accounting treatment of uniform acquisitions on April 1, 2020. Uniform expense that was previously included in the statement of loss and comprehensive loss are now capitalized and depreciated over the useful life. On April 1, 2020, the Company changed the accounting estimates of the Trade Name intangible assets related to the acquisitions of Veridin and Intelligarde. The amortization period was reassessed from the original estimate of ten years down to three years.

IFRS Issued Standards Not Yet Adopted

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

IAS 1: Presentation of Financial Statements

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 - Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact to the Company's classification of liabilities.

IFRS 3: Business Combinations

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

AS 16: Property, Plant and Equipment

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

ADDITIONAL INFORMATION

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