AVANTE LOGIXX INC.

Condensed Interim Consolidated Financial Statements

Unaudited for the three and nine-month periods ended December 31, 2021 and 2020

TABLE OF CONTENTS

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 AND MARCH 31, 2021

	Dec 31, 2021	Mar 31, 2021
ASSETS	*Unaudited*	
CURRENT		
Cash and cash equivalents	$ 2,845,175	$ 1,623,754
Accounts receivable (note 7)	17,270,719	18,171,980
Inventories (note 8)	1,528,648	1,617,709
Contract assets (note 6b)	513,927	696,506
Prepaid expenses	319,145	496,589
	22,477,614	22,606,538
NON-CURRENT ASSETS		
Property, plant & equipment (note 9)	4,327,847	3,878,163
Capitalized commissions (note 10)	791,639	275,482
Deferred tax assets (note 17)	939,825	1,466,873
Intangible assets (note 11)	5,247,111	5,878,581
Goodwill (note 11)	9,600,477	9,600,477
Long term notes receivable (note 18c)	350,000	400,000
	$ 43,734,513	**$ 44,106,114**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 9,735,685	$ 10,428,220
Bank indebtedness and vehicle loans (note 13)	405,492	1,703,281
Promissory note (note 18b)	-	155,000
Obligations under lease (note 14)	884,467	784,318
Contract liabilities (note 6b)	2,081,806	2,964,149
	13,107,450	16,034,968
NON-CURRENT LIABILITIES		
Obligations under lease (note 14)	1,551,286	1,396,607
Long term portion of bank indebtedness and vehicle loans (note 13)	8,598,771	5,067,903
Convertible debentures (note 18a)	5,276,620	4,813,389
Convertible debentures - derivative liability (note 18a)	3,337,385	3,808,402
Deferred tax liability (note 17)	1,193,649	1,352,728
	19,957,711	16,439,029
TOTAL LIABILITIES	**33,065,161**	**32,473,997**
SHAREHOLDERS' EQUITY		
Share capital (note 15a)	21,434,492	21,434,492
Contributed surplus (note 15b)	1,611,720	1,536,099
Accumulated other comprehensive deficit	(1,003,000)	(1,003,000)
Accumulated deficit	(11,373,860)	(10,335,474)
	10,669,352	11,632,117
TOTAL EQUITY	**10,669,352**	**11,632,117**
TOTAL EQUITY & LIABILITIES	**$ 43,734,513**	**$ 44,106,114**

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD:

Signed "Craig Campbell" Director *Signed "Samuel Duboc" Director*

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

	For the three-month period ended		For the nine-month period ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenues from continuing operations (note 6a)	$ 23,286,096	$ 25,204,265	$ 70,007,741	$ 67,009,760
Cost of sales	18,561,273	19,620,202	55,146,991	51,528,604
Gross profit	4,724,823	5,584,063	14,860,750	15,481,156
Operating expenses				
Salaries, benefits and commissions	2,420,307	2,458,449	7,160,654	7,426,803
Administration	1,470,746	1,318,644	4,154,467	3,716,819
Depreciation of capital assets (note 9)	407,076	312,541	1,150,794	916,596
Amortization of intangible assets (note 11)	210,490	893,202	631,470	2,719,706
Merchant transaction fees and bank charges	95,176	96,484	225,580	238,196
Share based payments (note 15b, note 16)	(8,655)	(55,943)	90,461	58,219
	4,595,140	5,023,377	13,413,426	15,076,339
Income before other income and expenses, reorganization and acquisition costs	129,683	560,686	1,447,324	404,817
Other (income) expenses				
Miscellaneous income	(2,882)	(43,866)	(27,814)	(80,078)
Interest expense (note 13, note 14, note 18a)	408,397	395,699	1,220,857	1,155,883
Foreign exchange loss	27,610	127,253	75,518	226,994
Loss (gain) in fair value of derivative liability (note 18a)	(2,516,282)	1,403,821	(471,017)	1,901,030
	(2,083,157)	1,882,907	797,544	3,203,829
Income (loss) before reorganization and acquisition costs	2,212,840	(1,322,221)	649,780	(2,799,012)
Reorganization and acquisition costs (note 21)	511,868	170,824	1,298,213	488,323
Income (loss) before income taxes	1,700,972	(1,493,045)	(648,433)	(3,287,335)
Provision for income taxes				
Current income tax expense (recovery) (note 17)	21,985	198,525	21,985	198,525
Deferred income tax expense (recovery) (note 17)	67,891	(199,065)	367,968	(148,511)
Net Income (loss) from continuing operations for the period	1,611,096	(1,492,505)	(1,038,386)	(3,337,349)
Net income from discontinued operations for the period net of tax	-	-	-	370,063
Net income (loss) for the period	$ 1,611,096	$ (1,492,505)	$ (1,038,386)	$ (2,967,286)
Net income (loss) for the period attributable to:				
Equity holders of the parent	1,611,096	(1,492,505)	(1,038,386)	(3,069,163)
Non-controlling interests	-	-	-	101,877
	$ 1,611,096	$ (1,492,505)	$ (1,038,386)	$ (2,967,286)
Other comprehensive income (loss) from continuing operations:				
Items that may be reclassified subsequently to net loss				
Unrealized gain (loss) on investments (note 18c)	-	-	-	(47,200)
	$ -	$ -	$ -	$ (47,200)
Total comprehensive income (loss) for the period	**$ 1,611,096**	**$ (1,492,505)**	**$ (1,038,386)**	**$ (3,014,486)**
Total comprehensive income (loss) for the period attributable to:				
Equity holders of the parent	1,611,096	(1,492,505)	(1,038,386)	(3,116,363)
Non-controlling interests	-	-	-	101,877
	$ 1,611,096	$ (1,492,505)	$ (1,038,386)	$ (3,014,486)
Net income (loss) per share attributable to equity holders of the parent (note 5)				
Basic income (loss) from continuing operations (note 5)	$0.076	($0.070)	($0.049)	($0.157)
Basic income (loss) from discontinued operations (note 5)	$0.000	$0.000	$0.000	$0.013
Fully diluted income (loss) from continuing operations (note 5)	$0.076	($0.070)	($0.049)	($0.142)
Basic number of shares outstanding	21,192,004	21,192,004	21,192,004	21,192,004
Fully diluted weighted average number of shares outstanding	21,249,407	21,192,004	21,192,004	21,192,004

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Deficit	Subtotal	Non-controlling Interest	Total Equity
	(note 15a)	*(note 15b)*				*(note 23)*	
Balance at April 1, 2020	**$21,434,492**	**$1,463,025**	**($7,431,648)**	**($955,800)**	**$14,510,069**	**$365,617**	**$14,875,686**
Income (loss) for the period	-	-	(3,069,163)	(47,200)	(3,116,363)	101,877	(3,014,486)
Share based payments	-	183,261	-	-	183,261	-	183,261
Unvested share options forfeited	-	(131,442)	-	-	(131,442)	-	(131,442)
Sale of discontinued operations (note 23)	-	-	-	-	-	(467,494)	(467,494)
Balance at December 31, 2020 (Unaudited)	**$21,434,492**	**$1,514,844**	**($10,500,811)**	**($1,003,000)**	**$11,445,525**	**$ -**	**$11,445,525**
Balance at April 1, 2021	**$21,434,492**	**$1,536,099**	**($10,335,474)**	**($1,003,000)**	**$11,632,117**	**$ -**	**$11,632,117**
Income (loss) for the period	-	-	(1,038,386)	-	(1,038,386)	-	(1,038,386)
Share based payments	-	103,147	-	-	103,147	-	103,147
Unvested share options forfeited	-	(27,526)	-	-	(27,526)	-	(27,526)
Balance at December 31, 2021 (Unaudited)	**$21,434,492**	**$1,611,720**	**($11,373,860)**	**($1,003,000)**	**$10,669,352**	**$ -**	**$10,669,352**

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

	For the three-month period ended		For the nine-month period ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Operating activities	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Comprehensive income (loss) for the period	$ 1,611,096	$ (1,492,505)	$ (1,038,386)	$ (3,014,486)
Gain on disposal of capital assets	-	(621)	-	(143,883)
Share based payments	(8,655)	(55,943)	90,461	58,219
Interest on bank loans and leases	91,270	75,285	323,766	281,767
Accretion on convertible debt (note 18a)	308,150	274,020	897,091	800,413
Accretion on promissory note	-	25,609	-	76,076
Depreciation of capital assets (note 9)	407,076	312,541	1,150,794	916,596
Amortization of intangible assets (note 11)	210,490	893,202	631,470	2,719,706
Amortization of capitalized commission (note 10)	173,827	-	260,025	6,077
Amortization of deferred financing (note 13)	55,690	-	213,641	-
Provision for income tax	67,891	(199,066)	367,969	(148,514)
Loss (gain) on fair value of derivative liability (note 18a)	(2,516,282)	1,403,821	(471,017)	1,901,031
Net (income) loss from discontinued operations	-	-	-	(370,063)
Unrealized (gain) loss on investment (note 18c)	-	-	-	47,200
	400,553	1,236,343	2,425,814	3,130,139
Net change in non-cash working capital:				
Accounts receivable	1,330,725	(216,873)	951,261	(1,954,777)
Inventories	52,004	(221,669)	89,061	(421,422)
Contract assets (note 6b)	159,945	(135,334)	182,579	(180,824)
Prepaid expenses	187,658	49,606	33,952	151,448
Current income tax	-	225,610	-	(59,632)
Accounts payable and accrued liabilities	3,275	(1,987,635)	(707,375)	63,287
Contract liabilities (note 6b)	271,344	549,732	(882,343)	204,894
Capitalization of commissions	(744,627)	(12,349)	(776,181)	(14,172)
	1,260,324	(1,748,912)	(1,109,046)	(2,211,198)
Cash from (used in) continuing operations	1,660,877	(512,569)	1,316,768	918,941
Net cash flows attributable to discontinued operations	-	-	-	236,017
Net cash from (used in) operating activities	1,660,877	(512,569)	1,316,768	1,154,958
Financing activities				
Proceeds from loans	-	4,561,833	13,510,000	12,641,833
Principal loan payments	(301,950)	(4,991,168)	(11,038,146)	(13,973,717)
Financing fees paid	-	-	(452,417)	-
Principal lease payments (note 14)	(222,472)	(163,624)	(619,211)	(496,087)
Interest on bank loans, convertible debenture, and leases	(235,890)	(219,905)	(757,626)	(715,627)
Promissory note payment (note 18b)	-	-	(155,000)	-
Cash from (used in) continuing operations	(760,312)	(812,864)	487,600	(2,543,598)
Net cash flows attributable to discontinued operations	-	-	-	(81,271)
Net cash from (used in) financing activities	(760,312)	(812,864)	487,600	(2,624,869)
Investing activities				
Net proceeds from sale of subsidiary (note 23)	-	-	-	1,891,500
Cash sold on disposition of subsidiary (note 23)	-	-	-	(730,218)
Purchase of capital assets (note 9)	(140,384)	(315,567)	(586,560)	(509,394)
Disposal of capital assets (note 9)	16,948	-	15,521	55,974
Additions to vehicle leases	(12,249)	-	(11,908)	(24,333)
Cash from (used in) continuing operations	(135,685)	(315,567)	(582,947)	683,529
Net cash flows attributable to discontinued operations	-	-	-	5,919
Net cash from (used in) investing activities	(135,685)	(315,567)	(582,947)	689,448
Increase (decrease) in cash during the period	764,880	(1,641,000)	1,221,421	(780,463)
Cash and cash equivalents, beginning of period	2,080,295	2,200,401	1,623,754	1,339,864
Cash and cash equivalents, end of period	$ 2,845,175	$ 559,401	$ 2,845,175	$ 559,401

**Total interest paid in the period ending December 31, 2021 is $902,246, December 31, 2020 $856,630*

***Total corporate income tax payments made in the period ending December 31, 2021 is $21,985, December 31, 2020 $285,282*

See accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF BUSINESS

Avante Logixx Inc. (the "Company") develops security technologies, products and solutions for personal, condo and commercial protective services, monitoring and control applications, and sells and installs custom-made locks, doors and hardware. All of these activities are conducted through the following subsidiaries: Avante Security Inc. ("Avante Security"), which is 100% owned, Logixx Security Inc. ("Logixx Security"), which is 100% owned and City Wide Locksmiths Ltd. ("City Wide"), in which the Company held a 70% majority interest until sold on September 30, 2020 (see Note 23). The Company's common shares are listed on the TSX Venture Exchange under the symbol XX.V (OTC: ALXXF).

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

Logixx Security provides security services for enterprise customers across Canada. Services include protective services (also known as guarding) as well as security system design, sales, installations, and monitoring and alarm response. The development of Logixx Security into a national business has occurred through organic growth and completion of acquisitions.

City Wide provides security locks, keys and door hardware to residential and commercial customers in the greater Toronto area, with a division catering to preeminent architects, designers and builders in the high-end home markets. City Wide was a 70% owned subsidiary of the Company, but this ownership interest was sold on September 30, 2020 (see Note 23).

The address of the Company's corporate office is 130 Bloor Street West, Suite 601, Toronto, Ontario, Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

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

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2021.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended December 31, 2021, and 2020 are not necessarily indicative of the results to be expected for the full year.

2. BASIS OF PRESENTATION (CONTINUED)

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2022.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost convention. The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, including all subsidiaries.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

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

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

Non-controlling interests are recorded in the condensed interim consolidated financial statements and represent the non-controlling shareholders' equity in an entity previously consolidated by the Company for which the Company's ownership was less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

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

	Ownership interest held at	
Name of entity	**Dec 31, 2021**	**Mar 31, 2021**
Avante Security Inc.	100%	100%
Logixx Security Inc.	100%	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Standards and Interpretations

IAS 1: Presentation of Financial Statements

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

IFRS 3: Business Combinations

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

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

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

IAS 12: Income Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 16: Property, Plant and Equipment

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

IAS 37: Provisions, Contingent Liabilities and Contingent Assets

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 these financial statements, 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 adverse impact to operations.

There have been no material revisions to the nature and number of estimates and judgments made in prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made. For assumptions made by Avante Logixx Inc. in the estimates made to calculate the recoverable amount of CGU’s, refer to note 11. Additionally, while the changes in the estimates and judgements have not had a material adverse impact on Avante Logixx Inc. to date, the effects of COVID-19 have required 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Due to rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operating results in the future, its suppliers, and its customers. Additionally, it is possible the Company's financial prospects will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business. In the three-month period ended September 30, 2021, the Company experienced a decline of COVID-19 related "specials" as compared to the prior four fiscal quarters. In the three-month period ended December 31, 2021 the decline of COVID-19 related "specials" continued until mid-December when additional lockdown measures were announced. Additionally, increased labour cost and supply chain delays attributable to the ongoing economic uncertainty caused by the pandemic has negatively impacted the Company's cost of goods sold and delayed electronic services installations during the three and nine-month periods ending December 31, 2021.

Judgements

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

1. **Business combinations**

   IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

   The Company uses judgement in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its subsidiaries.

2. **Allowance for doubtful accounts receivable and contract assets**

   The Company has exercised judgement in quantifying the allowance for doubtful accounts receivable. While it is possible that certain accounts receivable considered good may turn doubtful at a later date, there are no indicators that they would at the present time.

3. **Income taxes**

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

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

4. **Provision for impairment of inventories**

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5. Lease discount rate

The Company exercises judgement in determining the incremental borrowing rate when the interest rate is not implicit in the lease. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

6. Intangible assets and goodwill

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

7. Revenue and contract assets

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

8. Segment Reporting

The Company has exercised judgement in identifying its reportable segments and applying the related aggregation criteria required under IFRS 8. The Company's two reportable segments are Logixx Security and Avante Security. Logixx Security focuses on providing security services to enterprise clients across Canada, including corporations and municipalities. Avante Security focuses on providing security services to ultra-high net worth residential customers in the central Toronto and Muskoka regions of Ontario.

Estimates

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

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year include accrued liabilities. These estimates are created based on management's assumptions, based on current circumstances, and management believes represent a reasonable basis upon which to estimate the future liability. With respect to intangibles, acquired through business combinations, the Company determines fair values using such estimates as discount rates, capitalization rates, growth rates and terminal capitalization rates. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. With respect to goodwill impairment testing, the Company determines value in use and fair value less costs of disposal using such estimates as cash flows and discount rates. These estimates are reviewed periodically by management.

Share-based payments and derivative liabilities are determined by the Black-Scholes option pricing model, which is used by the Company to determine the fair value of stock options and convertible debentures-derivative liability. Significant estimates are used in the calculation of the input variables in the Black-Scholes model, which includes: risk free interest rate (based on government bonds), expected stock price volatility, expected life, and expected dividend yield. The fair value of the Company's unvested performance share units is determined by a Monte Carlo valuation model and the significant estimates used to estimate the price of the Company's common shares on the vesting date which includes: the current price of the

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Company's common shares, the risk free interest rate over the life of the performance units (based on government bonds), the expected stock price volatility, the number of trading days between the valuation date and the vesting date and the expected return on the Company's common shares during the remaining vesting period of the performance units.

5. EARNINGS (LOSS) PER SHARE

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

	For the three-month period ended		For the nine-month period ended	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Earnings (loss) per share - basic from continuing operations	$ 0.076	$ (0.070)	$ (0.049)	$ (0.157)
Earnings (loss) per share - basic and diluted from discontinued operations	-	-	-	0.013
Earnings (loss) per share - fully diluted from continuing operations	0.076	(0.070)	(0.049)	(0.157)
Net income (loss) attributable to equity holders of the parent - basic and fully diluted from continuing operations	1,611,096	(1,492,505)	(1,038,386)	(3,337,349)
Net income (loss) attributable to equity holders of the parent - basic and fully diluted from discontinued operations	-	-	-	268,186
Total net income (loss) attributable to equity holders of the parent - basic and fully diluted	$ 1,611,096	$ (1,492,505)	$ (1,038,386)	$ (3,069,163)
Weighted average number of shares outstanding - basic	21,192,004	21,192,004	21,192,004	21,192,004
Dilutive effect of share-based payments	57,403	-	-	-
Fully diluted weighted average number of shares outstanding	21,249,407	21,192,004	21,192,004	21,192,004

For the three-months ended December 31, 2021, the convertible debentures classified as a liability were determined to be antidilutive owing to the numerator adjustment required to remove the fair value gain on those securities which would then result in the net income for the period to be a loss. As such, the convertible debentures were excluded from the calculation above. For the three and nine-months ended December 31, 2020, and the nine-months ended December 31, 2021, the Company incurred a net loss, with anti-dilutive securities including convertible debentures and associated derivatives described in Note 18 (a), and share-based payments in Note 15.

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

6. REVENUE RECOGNITION

a) Disaggregation of Revenue

Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services. Standard 30-day payment terms apply to the majority of accounts receivable for the Company, with a few commercial guarding exceptions up to 180-day payment terms. Segment revenues by type of service for the three months ended December 31, 2021 were as follows:

	For the three-month period ended							
Revenue	Dec 31, 2021				Dec 31, 2020			
	Logixx Security	Avante Security	Intersegment elimination	Total	Logixx Security	Avante Security	Intersegment elimination	Total
Protective Services	$ 17,703,801	$ 2,126,444	$ (100,685)	$ 19,729,560	$ 19,785,663	$ 1,620,794	$ (63,746)	$ 21,342,711
Monitoring and Managed Services	157,250	973,217	(2,900)	1,127,567	64,636	855,729	-	920,365
Electronic Services	777,503	1,652,644	(1,178)	2,428,969	1,089,718	1,851,471	-	2,941,189
Total Revenue	**$ 18,638,554**	**$ 4,752,305**	**$ (104,763)**	**$ 23,286,096**	**$ 20,940,017**	**$ 4,327,994**	**$ (63,746)**	**$ 25,204,265**

6. REVENUE RECOGNITION (CONTINUED)

Segment revenues by type of service for the nine months ended December 31, 2021 were as follows:

Revenue	Dec 31, 2021 Logixx Security	Dec 31, 2021 Avante Security	Dec 31, 2021 Intersegment elimination	Dec 31, 2021 Total	Dec 31, 2020 Logixx Security	Dec 31, 2020 Avante Security	Dec 31, 2020 Intersegment elimination	Dec 31, 2020 Total
Protective Services	$ 54,720,363	$ 5,504,265	$ (253,495)	$ 59,971,133	$ 52,363,159	$ 4,589,621	$ (352,029)	$ 56,600,751
Monitoring and Managed Services	280,374	2,909,607	(2,900)	3,187,081	195,002	2,600,922	(2,900)	2,793,024
Electronic Services	2,042,779	4,807,926	(1,178)	6,849,527	2,317,385	5,298,600	-	7,615,985
Total Revenue	**$ 57,043,516**	**$ 13,221,798**	**$ (257,573)**	**$ 70,007,741**	**$ 54,875,546**	**$ 12,489,143**	**$ (354,929)**	**$ 67,009,760**

For the nine-month period ended

(b) Contract Assets and Liabilities

	Dec 31, 2021	Mar 31, 2021
Work-in-progress - contracts in process	$ 513,927	$ 696,506

Timing differences between invoicing, cash collection, and revenue recognition results in accounts receivable and also results in unbilled work-in-progress (contract assets), and deferred revenue (contract liabilities) on the condensed interim consolidated statement of financial position. Amounts are billed in accordance with the terms of each customer contract, generally subsequent to the performance of obligations and related revenue recognition, resulting in accounts receivable with standard payment terms of 'Net 30 Days' for these types of contracts. For certain contracts, the Company receives customer payment prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue (contract liabilities). During Fiscal 2021, the Company began a project within Avante Security to convert billing cycles from annual to monthly resulting in a decrease in contract liabilities.

Contract liabilities balance at March 31, 2021	$	2,964,149
Additions during the period		7,197,840
Recognized during the period		(8,080,183)
Contract liabilities balance at December 31, 2021 to be recognized in fiscal year 2022		1,126,486
Contract liabilities balance at December 31, 2021 to be recognized after fiscal year 2022		955,320
Contract liabilities balance at December 31, 2021	**$**	**2,081,806**

Contract liabilities balance at March 31, 2020	3,249,301
Additions during the period	16,065,653
Recognized during the period	(15,480,341)
Adjustment for Discontinued Operations	(1,093,643)
Contract liabilities balance at December 31, 2020 to be recognized in fiscal year 2021	1,735,138
Contract liabilities balance at December 31, 2020 to be recognized after fiscal year 2021	1,005,834
Contract liabilities balance at December 31, 2020	**2,740,972**

7. ACCOUNTS RECEIVABLE

The accounts receivable on the financial statements are net of allowance for doubtful accounts of $420,231 as at December 31, 2021 (March 31, 2021: $461,284). Changes in the allowance for doubtful accounts during the period were as follows:

	Dec 31, 2021	Mar 31, 2021
Allowance for doubtful accounts - opening balance	$ 461,284	$ 415,077
Net increase/(decrease) during the year	(41,053)	46,207
Allowance for doubtful accounts - closing balance	$ 420,231	$ 461,284

7. ACCOUNTS RECEIVABLE (CONTINUED)

As at December 31, 2021 and March 31, 2021, the aging of the Company's accounts receivables was as follows:

	Balance Due	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade receivables	$17,081,383	$8,014,716	$4,874,552	$1,149,631	$3,042,484
Unbilled trade receivables	1,412,986	1,412,986	-	-	-
Non-trade receivables	82,145	82,145	-	-	-
Allowance for doubtful accounts	(461,284)	-	-	-	(461,284)
Current portion vendor take back loan	56,750	56,750	-	-	-
Balance at March 31, 2021	**$18,171,980**	**$9,566,597**	**$4,874,552**	**$1,149,631**	**$2,581,200**
Trade receivables	$15,782,752	$6,675,936	$4,541,773	$784,198	$3,780,845
Unbilled trade receivables	1,774,706	1,774,706	-	-	-
Non-trade receivables	80,492	80,492	-	-	-
Allowance for doubtful accounts	(420,231)		-	-	(420,231)
Current portion vendor take back loan	53,000	53,000	-	-	-
Balance at December 31, 2021	**$17,270,719**	**$8,584,134**	**$4,541,773**	**$784,198**	**$3,360,614**

The Company has recognized a loss of $25,750 in the three-month period ending December 31, 2021 (December 31, 2020: $45,750) in profit or loss in respect of the expected credit losses for the period. In the nine-month period ending December 31, 2021 the company recognized $57,250 in respect of the expected credit losses for the period (December 31, 2020: $77,100). As at December 31, 2021, there was $3,780,845 (March 31, 2021: $3,042,484) of accounts receivable outstanding for over 90 days of which management did not consider $3,360,614 (March 31, 2021: $2,581,200) impaired.

8. INVENTORIES

	Dec 31, 2021	Mar 31, 2021
Inventory	$ 1,528,648	$ 1,617,709

All inventory is considered finished goods. Inventory expensed to cost of sales during the three and nine-month periods ended December 31, 2021, amounted to $1,185,606 and $2,749,473 respectively (December 31, 2020: $1,021,197 and $2,907,839 for the three and nine-month periods).

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Equipment, furniture and fixtures	Leasehold improvements	Computer software	Right-of-use asset	Vehicles	Uniforms	Buildings	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at March 31, 2021	**568,733**	**727,000**	**764,363**	**398,833**	**2,990,909**	**103,248**	**749,583**	**473,300**	**6,775,968**
Additions during the period	31,255	44,018	475	53,740	1,262,559	-	457,072	-	1,849,119
Disposals during the period	-	-	-	-	428,138	-	-	-	428,138
Balance at December 31, 2021	**599,988**	**771,018**	**764,838**	**452,573**	**3,825,330**	**103,248**	**1,206,655**	**473,300**	**8,196,949**
Accumulated depreciation									
Balance at March 31, 2021	**405,180**	**447,162**	**678,163**	**237,672**	**950,102**	**46,031**	**87,743**	**45,753**	**2,897,805**
Depreciation from continuing operations for the period	38,462	42,231	69,874	77,605	648,490	15,151	244,782	14,199	1,150,794
On disposals during the period	-	-	-	-	179,497	-	-	-	179,497
Balance at December 31, 2021	**443,642**	**489,393**	**748,037**	**315,277**	**1,419,095**	**61,182**	**332,525**	**59,952**	**3,869,102**
Carrying Amounts									
Balance at March 31, 2021	**163,552**	**279,838**	**86,200**	**161,161**	**2,040,807**	**57,216**	**661,840**	**427,547**	**3,878,163**
Balance at December 31, 2021	**156,346**	**281,625**	**16,801**	**137,296**	**2,406,235**	**42,066**	**874,130**	**413,348**	**4,327,847**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment	Equipment, furniture and fixtures	Leasehold improvements	Computer software	Right-of-use asset	Vehicles	Uniforms	Buildings	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance at March 31, 2020	**577,386**	**900,768**	**1,085,837**	**392,198**	**3,178,780**	**521,711**	**-**	**473,300**	**7,129,980**
Additions during the Period	25,576	20,220	-	16,730	900,234	-	446,868	-	1,409,628
Disposals during the Period	-	4,000	-	-	264,138	-	-	-	268,138
Disposal of discontinued operations	66,533	241,361	371,741	6,200	865,189	418,463			1,969,488
Balance at December 31, 2020	**536,429**	**675,626**	**714,096**	**402,728**	**2,949,688**	**103,248**	**446,868**	**473,300**	**6,301,983**
Accumulated depreciation									
Balance at March 31, 2020	**415,957**	**607,601**	**643,388**	**232,431**	**895,125**	**319,115**	**-**	**26,821**	**3,140,438**
Depreciation from continuing operations for the Period	38,333	35,071	118,335	120,792	550,635	2,222	37,010	14,199	916,596
Depreciation from discontinuing operations for the Period	978	3,268	19,158	1,550	45,192	15,865	-	-	86,011
On disposals during the Period	-	-	-	-	212,164	-	-	-	212,164
Disposal of discontinued operations	60,991	211,951	144,914	1,808	179,670	324,407			923,741
Balance at December 31, 2020	**394,277**	**433,989**	**635,967**	**352,966**	**1,099,117**	**12,795**	**37,010**	**41,020**	**3,007,140**
Carrying Amounts									
Balance at March 31, 2020	**161,429**	**293,167**	**442,449**	**159,767**	**2,283,655**	**202,595**	**-**	**446,479**	**3,989,542**
Balance at December 31, 2020	**142,153**	**241,637**	**78,129**	**49,762**	**1,850,571**	**90,452**	**409,858**	**432,280**	**3,294,843**

Depreciation expense included in the condensed interim consolidated statement of income (loss) and comprehensive income (loss) is $407,076, (December 31, 2020: $312,541 continuing operations, $NIL discontinued operations) for the three-month period ended December 31, 2021. The nine-month period ended December 31, 2021 included $1,150,794 of depreciation expense (December 31, 2020: $916,596 continuing operations, $86,011 discontinued operations).

The Company carries two categories of right-of-use assets: vehicles and property. At December 31, 2021 the carrying amount of vehicles under lease was $2,009,015 (March 31, 2021: $1,629,601), with $168,671 of depreciation included in the condensed interim consolidated statement of income (loss) and comprehensive income (loss) for the three-month period ended December 31, 2021, (December 31, 2020: $108,138). For the nine-month period ended December 31, 2021 $451,036 is included in depreciation expense (December 31, 2020: $344,922).

The right-of-use asset property had a carrying amount of $397,220 at December 31, 2021 (March 31, 2021: $411,206). Depreciation in the amount of $80,193 is included in the condensed interim consolidated statement of income (loss) and comprehensive income (loss) for the three-month period ended December 31, 2021, (December 31, 2020: $28,539). For the nine-month period ended December 31, 2021 $197,454 is included in depreciation expense (December 31, 2020: $205,713).

All assets of the Company, including its Accounts Receivables, Inventories and Property, Plant and Equipment, have been pledged as general security against the senior credit facilities established with the Company's bankers (Note 13). Gains and losses on disposals are booked in the miscellaneous (income) expense line on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

10. CAPITALIZED COMMISSION

Commissions on long-term contracts (12 months in length or longer) are capitalized at the initiation of the contract and amortized over the length of the contract as revenue is recognized. The unamortized amount of commission on long-term contracts as of December 31, 2021 was $791,639 (March 31, 2021: $275,482), with $173,827 amortized included in salaries & wages for the three-month period ended December 31, 2021 (December 31, 2020: $NIL), and $260,025 for the nine-month period ended December 31, 2021 (December 31, 2020: $6,077).

11. GOODWILL AND INTANGIBLE ASSETS

A. INTANGIBLE ASSETS

	Tradename City Wide	Tradename Others	Customer relationships	Backlog	Non-compete	Total
	$	$	$	$	$	$
Cost						
Balance at March 31, 2021	-	3,585,266	8,658,097	262,000	200,000	12,705,364
Balance at December 31, 2021	**-**	**3,585,266**	**8,658,097**	**262,000**	**200,000**	**12,705,364**
Accumulated Amortization						
Balance at March 31, 2021	-	3,585,266	2,926,183	262,000	53,333	6,826,783
Amortization for the period	-	-	601,470	-	30,000	631,470
Balance at December 31, 2021	**-**	**3,585,266**	**3,527,653**	**262,000**	**83,333**	**7,458,253**
Carrying amounts						
Balance at March 31, 2021	**-**	**-**	**5,731,914**	**-**	**146,667**	**5,878,581**
Balance at December 31, 2021	**-**	**-**	**5,130,444**	**-**	**116,667**	**5,247,111**

	Tradename City Wide	Tradename Others	Customer relationships	Backlog	Non-compete	Total
	$	$	$	$	$	$
Cost						
Balance at March 31, 2020	677,000	3,585,266	9,460,097	293,000	200,000	14,215,364
Disposal of discontinued operations (note 23)	677,000	-	802,000	31,000	-	1,510,000
Balance at December 31, 2020	**-**	**3,585,266**	**8,658,097**	**262,000**	**200,000**	**12,705,364**
Accumulated Amortization						
Balance at March 31, 2020	6,510	854,418	2,445,023	293,000	13,333	3,612,285
Amortization from continuing operations for the period	-	2,048,136	641,570	-	30,000	2,719,706
Amortization from discontinued operations for the period	1,563	-	-	-	-	1,563
Disposal of discontinued operations (note 23)	8,073	-	360,900	31,000	-	399,973
Balance at December 31, 2020	**-**	**2,902,554**	**2,725,693**	**262,000**	**43,333**	**5,933,581**
Carrying amounts						
Balance at March 31, 2020	**670,490**	**2,730,848**	**7,015,074**	**-**	**186,667**	**10,603,078**
Balance at December 31, 2020	**-**	**682,712**	**5,932,404**	**-**	**156,667**	**6,771,783**

On company amalgamations, the previously acquired intangible asset tradename from externally acquired entities useful life decreases as operations are merged. The Company's management assessed that no impairment had occurred as there was a period of operations during which both the purchased tradename and the existing tradename were utilized during the fiscal year ended March 31, 2021. The purchased tradename assets for Intelligarde (rebranded to Logixx Security effective June 21, 2019), Veridin (amalgamated into Logixx Security on December 2, 2019), and ASAP (amalgamated into Logixx Security on April 1, 2020) were amortized in full over the fiscal year ending March 31, 2021.

11. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Intangible amortization expensed in the condensed interim consolidated statement of income (loss) and comprehensive income (loss) is $210,490 for the three-month period ended December 31, 2021 (December 31, 2020: $893,202), and $631,470 for the nine-month period ended December 31, 2021 (December 31, 2020: $2,719,706).

B. GOODWILL

Balance at March 31, 2020	**$ 10,533,743**
Disposal of discontinued operations (note 23)	(896,712)
Settlement of purchase holdback of ASAP (note 18b)	(36,554)
Balance at March 31, 2021	**$ 9,600,477**
Balance at December 31, 2021	**$ 9,600,477**

The above intangible assets and goodwill were acquired upon the acquisitions of the businesses of INTO Electronics Inc. at August 22, 2014, LVS Inc. at April 1, 2015, Architronics Limited ("Architronics") at March 1, 2017, Watermark Security Inc. at August 1, 2018, Veridin Systems Canada Inc. at September 16, 2018, Intelligarde International Inc. (currently doing business as Logixx Security Inc.) at November 30, 2018 and A.S.A.P Secured Inc. at December 1, 2019.

As at March 31, 2020, the goodwill balance also reflected goodwill acquired upon the acquisition of City Wide Locksmiths Ltd. on April 1, 2016. However, such goodwill balance was removed as of September 30, 2020 concurrent with the Company's sale of this ownership interest on September 30, 2020 (Note 23).

The key assumptions used to calculate the fair value of these intangible assets include discount rates, growth rates and margins. The cost of goodwill is calculated as the excess of purchase price of the acquired business over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separate identifiable cash flows. During the fourth quarter of the fiscal year ended March 31, 2020, and after the sale of City Wide on September 30, 2020, management determined with recent amalgamations, that the Company has two CGU's consisting of Avante Security and Logixx Security consistent with how the Company now manages its operations. Previously, each acquisition made by the Company was treated as a distinct CGU.

Amortization

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

12. BUSINESS ACQUISITIONS

Acquisition of Veridin Systems Canada Inc. (rebranded and amalgamated with Logixx Security Inc. at December 2, 2019)

On September 17, 2018, the Company acquired all the outstanding shares of Veridin Systems Canada Inc. ("Veridin") pursuant to a share purchase agreement between the Company and 1245893 Ontario Inc. and Vision Dynamics CCTV Inc. ("Vendors") of Veridin, for an aggregate purchase price of $2,436,410, $1,900,746 paid in cash and the issuance of 238,095 (1,190,476 pre-stock consolidation) common shares in the capital of the Company to 1245893 Ontario Inc.

Within an escrow account, the Company held back $94,923 of the purchase price against certain representations and warranties. The parties are engaged in litigation processes to settle the amounts owing between the parties.

Acquisition of Intelligarde International Inc. (renamed Logixx Security Inc. as of June 21, 2019)

On November 30, 2018, the Company acquired all the outstanding shares of Intelligarde International Inc. ("Intelligarde" – currently doing business as Logixx Security Inc.). The total consideration paid for the outstanding shares of Intelligarde is $4,801,370 paid in cash subject to a post-closing working capital adjustment.

Within an escrow account, the Company held back $712,500 ($679,430 remaining as of December 31, 2021) of the purchase price against certain representations and warranties of the vendors. The parties are engaged in litigation processes to settle the amounts owing between the parties.

13. BANK INDEBTEDNESS AND VEHICLE LOANS

Current and non-current bank indebtedness and vehicle loans was comprised of the following as at December 31, 2021 and March 31, 2021:

	Dec 31, 2021 Current Portion	Dec 31, 2021 Long-Term Portion	Dec 31, 2021 Total	Mar 31, 2021 Current Portion	Mar 31, 2021 Long-Term Portion	Mar 31, 2021 Total
Line of credit	$ -	$ 3,650,000	$ 3,650,000	$ -	$ -	$ -
Term Loans	548,979	5,151,021	5,700,000	1,713,331	4,778,003	6,491,334
Deferred Financing	(150,805)	(223,300)	(374,105)	(45,110)	(90,220)	(135,330)
Mortgage	-	-	-	8,942	345,371	354,313
Total credit facilities	398,174	8,577,721	8,975,895	1,677,163	5,033,154	6,710,317
Vehicle Loans	7,318	21,050	28,368	26,118	34,749	60,867
Balance at December 31, 2021	**$ 405,492**	**$ 8,598,771**	**$ 9,004,263**	**$ 1,703,281**	**$ 5,067,903**	**$ 6,771,184**

On June 30, 2021, the Company entered into a senior secured credit agreement with a bank that fully replaced the Company's senior secured banking arrangements and mortgage provided by its former bank. The 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. The ability to draw on Tranche 2 expired on July 31, 2021 reducing the available limit 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. Repayment of drawings under the term loan and delayed-draw credit facilities will occur at the rate of 2.50% per quarter with the remaining balance due on the maturity date. The new credit agreement also provides for a corporate credit card facility and hedge-transaction credit facilities.

13. BANK INDEBTEDNESS AND VEHICLE LOANS (CONTINUED)

Security for the new credit agreement consists of upstream guarantees by 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. The Company was in compliance with such financial covenants at December 31, 2021. Interest and standby fees in respect of the credit facilities are subject to a leverage-ratio based pricing grid and, as at December 31, 2021, was the bank's prime rate plus 0.25%, and standby fees of 0.44%.

Term loans pursuant to Facility B, and the former acquisition facility provided by the prior bank, consisted of the following drawings:

			Balance Due		
	Initial Draw	Interest Rate	Dec 31, 2021	Mar 31, 2021	Maturity Date
Facility 1	$ 3,000,000	4.90%	$ -	$ 1,740,885	-
Facility 2	1,750,000	Prime rate + 1%	-	1,358,782	-
Facility 3	1,000,000	Prime rate + 1%	-	766,667	-
Facility 4	2,625,000	Prime rate +1%	-	2,625,000	-
Facility B	6,000,000	Prime rate + 0.5%	5,700,000	-	May 2024
Deferred Financing	(452,417)	-	(374,105)	(135,330)	May 2024
	$ 5,547,583		**$ 5,325,895**	**$ 6,356,004**	

The Company incurred deferred financing fees of $452,417 in connection with the new credit agreement. The previously unamortized balance of $135,330 as of March 31, 2021 was extinguished on the termination of the former credit agreement and included on the condensed interim consolidated statement of income (loss) and comprehensive income (loss). The deferred financing charges are amortized over the term of the credit agreement. Deferred financing amortization recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the three-month period ending December 31, 2021 was $55,690 (December 31, 2020: $11,952) and $86,278 for the nine-month period ending December 31, 2021 (December 31, 2020: $37,219).

Interest on bank loans expensed in the condensed interim consolidated statement of income (loss) and comprehensive income (loss) is $56,523 for the three-month period ended December 31, 2021 (December 31, 2020: $65,489). The nine-month period ended December 31, 2021 interest expensed from bank loans is $176,562 (December 31, 2020: $213,186).

14. OBLIGATIONS UNDER LEASE

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

14. OBLIGATIONS UNDER LEASE (CONTINUED)

	Vehicle lease liability	Property lease liability	Total liability
Balance at March 31, 2021	**$ 1,733,060**	**$ 447,865**	**$ 2,180,925**
Additions during the period	1,073,732	176,919	1,250,651
Disposals during the period	(376,612)	-	(376,612)
Principal payments	(433,366)	(185,845)	(619,211)
Principal payments from discontinued operations			-
Balance at December 31, 2021	**$ 1,996,814**	**$ 438,939**	**$ 2,435,753**
Current obligations under lease	632,518	251,949	884,467
Long-term obligations under lease	1,364,296	186,990	1,551,286
Total Balance at December 31, 2021	**$ 1,996,814**	**$ 438,939**	**$ 2,435,753**

The Company leased certain vehicles with a value of $1,996,814 (March 31, 2021: $1,733,060), at an effective annual rate of interest of 7.67% (March 31, 2021: 8.49%). The payment terms include blended monthly payments of $60,764 plus applicable taxes (March 31, 2021: $56,279) for 48 to 60 months ending between May 2022 and October 2026, with an aggregate buy out obligation of $935,967 as of December 31, 2021 (March 31, 2021: $977,741). Interest expense from these leases, included in the condensed interim statement of income (loss) and comprehensive income (loss) for the three and nine-month periods ended December 31, 2021 was $25,340 (December 31, 2020: $23,736), and $125,946 (December 31, 2020: $53,233).

Various office properties with a value of $438,939 (March 31, 2021: $447,865), are leased with blended monthly payments of $29,133 plus applicable taxes (March 31, 2021: $18,964). An incremental borrowing rate of 4.80% is used. The property leases end between February 2022 and December 2025. Interest expense from these leases, included in the condensed interim statement of income (loss) and comprehensive income (loss) for the three and nine-month periods ended December 31, 2021 was $3,962 and $15,804 (December 31, 2020: $4,779 and $15,348).

15. SHAREHOLDERS' EQUITY

[a] Share capital issued and outstanding

Unlimited common shares	Number of Shares	Amount
Balance at March 31, 2020	21,192,004	$21,434,492
Balance at March 31, 2021	21,192,004	$21,434,492
Balance at December 31, 2021	21,192,004	$21,434,492

[b] Share options

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

15. SHAREHOLDERS' EQUITY (CONTINUED)

Options for Directors vest when granted, while vesting of options for non-directors is as follows: 33.33% on the second anniversary; 33.33% on the third anniversary; and the remainder on the fourth anniversary following the grant date. Options granted to non-directors prior to fiscal year 2015 vested as follows: 33.33% on the grant date; 33.33% on the first anniversary of the grant date; and the remaining 33.33% on the second anniversary of the grant date.

On September 29, 2015, the shareholders of the Company approved an amendment to the stock option plan whereby it reverted to a 10% rolling stock option plan. This plan is approved annually by the shareholders of the Company and was again approved by the shareholders on September 23, 2021. Accordingly, the Company has a total of 759,200 options available to be issued as at December 31, 2021, with the maximum term remaining at 10 years (March 31, 2021: 679,200). Prior to September 29, 2015, the Company had an Option plan whereby it could issue a maximum of 7,145,000 options with a term of up to 10 years.

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2020	**1,770,333**	**$1.97**
Options forfeited during the year	(325,000)	1.99
Options expired during the year	(55,333)	1.58
Option granted during the year	50,000	1.55
Balance at March 31, 2021	**1,440,000**	**$1.97**
Options forfeited during the period	(80,000)	1.55
Balance at December 31, 2021	**1,360,000**	**$1.98**

No share options were granted during the three and nine-month periods ended December 31, 2021, (December 31, 2020: 50,000 at a strike price of $1.55). The weighted average grant date fair values of share options granted during the year ended March 31, 2021 were $0.75 per option, (March 31, 2020: $0.89). All options were granted at an exercise price greater than or equal to the trading price on the day of the grant that is considered fair value. Options were granted in the year ending March 31, 2021 totaling 50,000 options at an excise price of $1.55. None of the outstanding options were exercised in the three and nine-month periods ended December 31, 2021 or during the twelve-month period ended March 31, 2021. All options granted in the year ending March 31, 2021 expire in October 2025. Where the Company has received a notice to exercise options that expire within the period ending December 31, 2021 and fall within a blackout period placed on directors and management, the expiry dates of such share options have been extended to January 31, 2021 in accordance with the share option plan.

Using the Black-Scholes pricing model, the Company recognized $33,536 net of $17,369 for forfeited options of share based compensation, during the three-month period ending December 31, 2021 (December 31, 2020: $65,608 net of $127,951 of forfeited options) and $103,147 net of $27,526 for forfeited options for the nine-month period ended December 31, 2021 (December 31, 2020: $183,261 net of $131,422 for forfeited options).

15. SHAREHOLDERS' EQUITY (CONTINUED)

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

	Fiscal 2021	Fiscal 2020
Risk-free interest rate	0.80%	1.75%
Expected volatility	80.51%	55.33 to 66.31%
Expected time until exercise	5 years	5 years
Expected dividend yield	NIL	NIL
Expected forfeiture	5%	5%
Share price	$0.99	$1.50 to $1.55

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

The following table summarizes stock options vested and outstanding at December 31, 2021:

Grant Date	Number of Options Outstanding	Remaining Years	Number of Options Vested	Exercise Price	Expiry Date
2016-09-06 [1]	15,000	0.25	15,000	$1.30	2022-03-31
2017-10-29	15,000	0.83	15,000	1.30	2022-10-29
2018-01-10	200,000	1.03	200,000	1.65	2023-01-10
2018-01-10	200,000	1.03	200,000	1.90	2023-01-10
2018-01-10	200,000	1.03	200,000	2.20	2023-01-10
2018-01-10	200,000	1.03	-	2.55	2023-01-10
2018-09-19	50,000	1.72	33,333	2.25	2023-09-19
2018-10-02	200,000	1.75	133,333	2.25	2023-10-02
2019-12-02	80,000	2.92	26,667	1.55	2024-12-02
2020-01-20	200,000	3.06	-	1.55	2025-01-20
	1,360,000	1.47	823,333	$1.98	

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

16. 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 a future valuation date scaled downwards for vesting criteria linked to that VWAP in effect during the thirty days prior to the valuation date.

On November 25, 2020, the Company announced that the Chief Executive Officer was awarded 200,000 performance stock units payable on March 31, 2023 at the Corporation's 30-day volume weighted share price in effect on that date, scaled downward to 0% payout if that VWAP is less than $3.39 per share, 50% payout if great than or equal to $3.39 per share, 75% payout if greater than or equal to $3.75 per share or 100% payout if greater than or equal to $4.00 per share. Such award, if any, will be settled in cash within 150 days following March 31, 2023.

16. PERFORMANCE SHARE UNITS (CONTINUED)

The Company uses Monte-Carlo simulation valuation techniques to estimate the potential future value that might exist as of March 31, 2023 in respect of issued but unvested PSU grants. Such estimate is then discounted based on the risk-free interest rate as of the valuation date. Assumptions included in the fair value of the unvested PSU grants include:

- The Company's share price on the valuation date, which was $1.49 per share on December 31, 2021;
- The remaining number of trading days from the valuation date until the vesting date of March 31, 2023;
- The average expected annual return on the Company's shares of 15.0% as of December 31, 2021;
- The expected volatility of the price of the Company's common shares as of the valuation date, which was 70.0% on December 31, 2021; and
- The average risk-free interest rate over the remaining term of 1.61% as of December 31, 2021.

The present value of such estimated potential liability is recalculated by the Company every fiscal quarter end. Within accounts payable and accrued liabilities on the condensed interim consolidated statement of financial position, the Company reflects the net present value of the potential obligation, prorated by the number of months that have elapsed since the date of grant versus the total number of months from the PSU grant date to the maturity date. The difference between the statement of financial position liability amounts at the balance sheet date versus the fiscal period's opening liability is reflected as an expense, or recovery, within share based payments on the condensed interim consolidated statements of income (loss) and comprehensive income (loss). At December 31, 2021, the present value of the estimated potential liability on March 31, 2023 is $75,000 of which $34,821 is included in accounts payable and accrued liabilities on the condensed interim consolidated statement of financial position at December 31, 2021 (December 31, 2020: $6,400). A recovery is reflected in the three-month period ending December 31, 2021 of $24,821 (December 31, 2020: $6,400 expense) and an expense is recorded in the nine-month period ending December 31, 2021 of $14,839 (December 31, 2020: $6,400).

17. INCOME TAXES

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

For the three-month period ending December 31, 2021, the Company recognized a current income tax recovery of $117,974 (December 31, 2020: recovery of $199,065) and recovery of $167,497 for the nine-month period ending December 31, 2021 (December 31, 2020: recovery of $148,511). For the three-month period ending December 31, 2021 the Company recognized deferred income tax expense of $381,201 (December 31, 2020: expense of $NIL) and expense of $535,466 for the nine-month period ending December 31, 2021 (December 31, 2020: expense of $NIL). The deferred tax assets are attributable to previously unused non-capital tax loss carry forwards that it estimates will be used against taxable income for the year ended March 31, 2022 and future taxable periods.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Convertible debentures

On November 27, 2019, the Company issued unsecured convertible debentures with a total principal amount of $8,264,000. The debentures mature on November 27, 2024 and bear an annual interest rate of 7%, due semi-annually. The debentures are convertible, at the option of the holder, in whole or in part, at a conversion price per share of $1.56 at any time prior to the maturity date into common shares of the Company. Total professional and legal fees of $301,311 were incurred on the transaction. The Company decided not to draw up to $9,736,000 under a second tranche under the convertible debenture agreement that was previously available to the Company until August 27, 2020 and such option to draw expired on that date.

So long as the holder of the convertible debentures owns directly or indirectly through its conversion right at least 10% of the Company's common shares, it has the right to maintain the same percentage ownership of the Company's common shares subsequent to an issuance of the Company's common shares as held by the holder immediately prior to such issuance. If the holder owns more than 10% of the Company's common shares, the holder 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. The Company was in compliance with the financial covenants applicable to the debenture for the reporting period on December 31, 2021.

While the total contractual liability excluding future interest payments is $8,264,000, for accounting purposes the convertible debentures are compound financial instruments containing a principal debt and interest component and a conversion option. The conversion option is classified as a derivative financial liability, as the option is not closely related to the principal debt and features of the conversion option may result in conversion of debt into a variable number of common shares. The debentures do not meet the International Accounting Standard ("IAS") 32(16) fixed-for-fixed test as conversion of debt into a variable number of common shares results from the Company declaring a dividend, a stock split, granting options, warrant, or shares at less than 95% of the current market price. The conversion option was separated from the host debt and valued at its fair value on the date of issuance, with all attributable transaction costs expenses when incurred. At December 31, 2021 the Company valued the derivative liability component of the debenture using the number of common shares issued per increment of principal and the Black Scholes pricing model, at a risk free interest rate of 1.24% (based on government bonds) (March 31, 2021: 0.73%), volatility of 65.84% (March 31, 2021: 66.82%), which is based on historical volatility of the Company's common shares, an expected maturity date of five years from the date of issue and no dividends issued by the Company over that time frame.

The principal debt and interest component is classified as a financial liability and carried at amortized cost. On initial recognition, these components were allocated the residual of the total proceeds less the fair value of the conversion option, net of transaction costs.

On initial recognition, the conversion option derivative liability component was $3,948,551 and the host debt liability component was $4,158,105 net of transaction cost attributable to the debt component. Transaction costs in the amount of $143,967 were expensed in the year ending March 31, 2020 attributable to the conversion option. The conversion option derivative liability is reported at fair value, with gains and losses included in the condensed interim consolidated statements of income (loss) and comprehensive income (loss). For the three-month period ended December 31, 2021 a gain of $2,516,282 was recognized (December 31, 2020: $1,403,821 loss) and a gain of $471,017 for the nine-month period ending December 31, 2021 (December 31, 2020: $1,901,030 loss).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Accretion charges attributable to the debenture of $308,150 were included in interest expense on the condensed interim consolidated statement of income (loss) and comprehensive income (loss) in the three-month period ending December 31, 2021, of which $144,620 relates to interest paid or owing (December 31, 2020: $274,020 of which $144,620 related to interest paid or owing). In the nine-month period ending December 31, 2021, $897,091 (December 31, 2020: $800,413) accretion charges were included in the interest expense on the condensed interim consolidated statement of income (loss) and comprehensive income (loss) of which $433,860 pertains to interest paid or owing (December 31, 2020: $433,860).

7% Debenture (Issued November 27, 2019)	Liability component	Derivative liability	Total carrying amount
Balance at March 31, 2020	**$ 4,309,637**	**$ 1,738,308**	**$ 6,047,945**
Accretion of debenture	1,082,232	-	1,082,232
Interest	(578,480)	-	(578,480)
Fair value loss	-	2,070,094	2,070,094
Balance as of March 31, 2021	**$ 4,813,389**	**$ 3,808,402**	**$ 8,621,791**
Accretion of debenture	897,091	-	897,091
Interest	(433,860)	-	(433,860)
Fair value (gain)	-	(471,017)	(471,017)
Balance as of December 31, 2021	**$ 5,276,620**	**$ 3,337,385**	**8,614,005**

On February 16, 2022, the company received notice from the option holder to convert all of the outstanding convertible debentures issued by the Company into common shares (Note 24).

[b] Financial liabilities

On December 1, 2019, the Company issued a Promissory Note as part of the acquisition of A.S.A.P. Secured Inc. The Promissory Note was payable on March 4, 2021 and the amount payable ranged from $NIL to $2,625,000 depending on the performance of the acquired business over the first twelve months from acquisition closing. On the date of issue in November 2020, the Promissory Note was discounted at a rate of 3.95% for accounting purposes. The face value of the Promissory Note was paid in two installments on March 4, 2021 and April 5, 2021 net of $36,554 for a purchase price reduction agreed between the parties and legal fees in respect of third-party claims paid by the Company but attributable to the vendor. This total net payment was funded by drawing on the unused portion of the $10,000,000 acquisition facility provided by the Company's former bank (Note 13).

Promissory note (issued December 1, 2019)		Carrying amount
Balance at March 31, 2020	**$**	**2,534,341**
Accretion for the period		90,659
Payment		(2,429,501)
Reduction in purchase price (note 11)		(36,554)
Reimbursement of expenses		(3,945)
Balance at March 31, 2021	**$**	**155,000**
Payment		(155,000)
Balance at December 31, 2021	**$**	**-**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[c] Financial assets

On October 23, 2018, the Company subscribed to a private placement by 3|Sixty Secure Corp. ("3 Sixty") of 1,180,000 Purchased Subscription Receipts, at the price of $0.85 per Purchased Subscription Receipt, for $1,003,000. Each Purchased Subscription Receipt entitled the holder to receive upon satisfaction or waiver release of escrow release conditions on or before release deadline of 120 days of the close date, one underlying share of 3 Sixty in accordance with the provisions of the Subscription Receipt Agreement.

The release conditions were dependent on the completion of the Reverse Take-Over ("RTO") of Petro Vista by 3 Sixty. The classification of the subscription is fair value level 2, to other comprehensive income and will be reported at fair value with gains and losses included in other comprehensive income. On January 4, 2019, the RTO of Petro Vista by 3 Sixty took place, fulfilling the escrow release conditions and the Receipts were converted to one underlying share of 3 Sixty in accordance with the provisions of the Subscription Receipt Agreement. The investment in 3 Sixty is now classified as a level 1 to other comprehensive income and is reported at fair value based on quoted market prices in active markets.

On July 15, 2020, 3 Sixty announced a delay to filing 2019 fiscal year end financial results and the intention to file amended and restated interim financial statements. In response, the Ontario Securities Commission issued a cease trade order on 3 Sixty's shares. Effective July 14, 2021 the shares were delisted. On September 13, 2021, the Ontario Superior Court of Justice Commercial List appointed a receiver in respect of 3 Sixty on behalf of one of its secured creditors. No unrealized gains or losses were recognized in the three-month and nine-month periods ended December 31, 2021 and a loss of $47,200 was recognized during the nine-months ended December 31, 2020 and a loss of $NIL in the three-month period ended December 31, 2020.

	Subscription receipts	Investment
Balance at March 31, 2019	1,180,000	$ 590,000
Change in fair value		(542,800)
Balance at March 31, 2020		$ 47,200
Change in fair value		(47,200)
Balance at March 31, 2021		$ -
Balance at December 31, 2021		$ -

In connection with the sale of its 70% ownership interest of City Wide on September 30, 2020, the Company received a vendor take back note of $450,000 benefiting from a second secured lien on all assets of City Wide. The balance of the note on December 31, 2021 is $403,000, (December 31, 2020: $450,000), with $53,000 recorded in accounts receivable representing the current portion and interest of the note receivable and $350,000 recorded as a long term note receivable on the condensed interim consolidated statement of financial position (March 31, 2021: $400,000). The note bears interest at 3.0% until September 30, 2021, 3.5% until September 30, 2022, 4.0% until September 30, 2023, 5.0% until September 30, 2024, and then 6.0% until September 30, 2025. Installments of $50,000 plus interest are due annually and the note is fully repayable on or before September 30, 2025.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Risk management

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

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

Foreign Currency Risk:

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

During the nine-month period ended December 31, 2021, approximately 12.9% of the Company's revenues were received or receivable in U.S. dollars, while a smaller percentage of its total costs were paid or payable in U.S. dollars. The impact of a 1% change in the foreign exchange rate would be a $86,000 or a 9.8% change to the Company's net income (loss) for the nine-month period ended December 31, 2021 and total comprehensive income (loss) for the year on the condensed interim consolidated statements of income (loss) and comprehensive income (loss). A significant change in the currency exchange rates of the U.S. dollar relative to the Canadian dollar could have an adverse effect on the Company's results of operations, financial position and cash flows.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At December 31, 2021, the Company has a revolving credit facility and bank loans subject to floating interest rates amounting to $9,350,000 (March 31, 2021: $4,750,449), a 1% change in interest rates would be a $93,500 impact to the Company's net loss for the period and total comprehensive loss for the period. This interest rate risk is offset by the potential changes in the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions.

Equity Price Risk:

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk related to its performance share units which are cash settled and stock options which are equity settled. As the market price of the Company's common shares increases, the likelihood of the Company having an obligation on March 31, 2023 under the PSU's increases (refer to Note 16).

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For credit risk on accounts receivable see Note 7. Financial instruments, which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, accounts receivables as well as the secured vendor take back note due from the purchasers of City Wide. The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at December 31, 2021 relating to cash of $2,845,175 (March 31, 2021: $1,623,754). All cash is held in Canadian banks which have credit ratings of A+ and Aa2 from rating agencies Standard & Poor's and Moody's respectively. The Company has performed a sensitivity analysis on changes in the credit risk associated with these banks and considers this risk to be minimal for all cash assets based on changes that are reasonably possible at the reporting date.

c) Liquidity Risk

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

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

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

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contractual amount	Carrying amount
At March 31, 2021	**$ 11,551,632**	**$ 2,309,150**	**$ 3,321,513**	**$ 12,869,974**	**$ 1,032,887**	**$ 31,085,156**	**$ 28,157,120**
Accounts payable and accrued liabilities	9,735,685	-	-	-	-	9,735,685	9,735,685
Bank indebtedness and vehicle loans	186,693	531,553	647,118	8,386,892	2,214	9,754,470	9,004,263
Obligations under lease	238,246	893,162	806,910	509,195	-	2,447,513	2,435,753
Convertible debentures	-	578,480	578,480	8,784,397	-	9,941,357	8,614,005
At December 31 2021	**$ 10,160,624**	**$ 2,003,195**	**$ 2,032,508**	**$ 17,680,484**	**$ 2,214**	**$ 31,879,025**	**$ 29,789,706**

Contractual amounts reflect undiscounted principal payments and future interest payments. Carrying amount excludes interest, is discounted, includes any residual value and is adjusted for the derivative component where applicable.

The working capital as at December 31, 2021 was $9,370,164 compared to $6,571,570 at March 31, 2021.

d) The Covid-19 Pandemic

While the Company is not immune to the impacts of the Covid-19 pandemic, the majority of the Company's services remain ongoing, certain of which have been deemed "essential" by governing authorities. However, there remains some risk that certain project work will be deferred, or restricted and new orders delayed or that certain customers could become adversely affected by the pandemic.

The Company sold its non-wholly owned subsidiary, City Wide, on September 30, 2020 (Note 23). City Wide qualified for the Government of Canada's Canada Emergency Wage Subsidy ("CEWS") program and recorded $125,412 in government grants earned and received during the six-month period ending September 30, 2020 reflected within the loss from discontinued operations for the Company's fiscal year ended March 31, 2021. There were no unfilled conditions or other contingencies attached to the government assistance that was recognized.

Determination of fair value

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

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

Fair Value Hierarchy:

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

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

All financial instruments at fair value are level 1, except conversion option derivative liability, performance share units liability and promissory note which are considered level 2.

19. CAPITAL MANAGEMENT

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

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

To support business activity and maximize shareholder value, the Company takes into consideration various factors, including the growth of the business-related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The Board of Directors is responsible for overseeing this process. The Company manages capital with the objective of maintaining adequate capital resources through the optimization of the cash flows from operations and capital transactions.

20. RELATED PARTY TRANSACTIONS

The Company entered into a contract effective May 1, 2018 with a private company controlled by a significant shareholder to provide consulting services for the Company. The Company incurred $70,127 of expense in the three-month period ended December 31, 2021 (December 31, 2020: $57,864) and $230,949 in the nine-month period (December 31, 2020: $152,564). The balance outstanding at December 31, 2021 is $15,794 (March 31, 2021: $19,859).

The Company entered into a contract with a private company controlled by a significant shareholder and officer of the Company to provide services for the Company. For the three-month period ended December 31, 2021 the Company incurred $2,092 (December 31, 2020: $2,132) for these services and $9,810 in the nine-month period ending December 31, 2021 (December 31, 2020: $3,627). The balance outstanding at December 31, 2021 is $638 (March 31, 2021: $1,554).

The Company provides service to and receives service from a private company controlled by a significant shareholder and officer of the Company. In the three and nine-month periods ended December 31, 2021 the Company billed $33,044 and incurred $38,165 of expense for services (December 31, 2020: $NIL). The outstanding accounts receivable balance at December 31, 2021 is $3,829 and the outstanding accounts payable balance at December 31, 2021 is $16,699.

In the three-month period ending December 31, 2021 the Company incurred a receivable from a private company controlled by a significant shareholder and officer for various expenses in the amount of $12,682 (December 31, 2020: $NIL). The amount of $12,682 is outstanding at December 31, 2021, (December 31, 2020: $NIL).

Remuneration of Directors and Officers was as follows:

	For the three-month period ended		For the nine-month period ended	
Directors and Officers Remuneration	**Dec 31, 2021**	**Dec 31, 2020**	**Dec 31, 2021**	**Dec 31, 2020**
Salaries, short term employee benefits	$ 704,581	$ 198,558	$ 1,338,663	$ 548,558
Share based payments	27,120	33,403	81,360	131,673
	$ 731,701	$ 231,961	$ 1,420,023	$ 680,231

21. REORGANIZATION AND ACQUISITION COSTS

The Company incurred reorganization and acquisition costs in the amount of $511,868 for the three-month period ended December 31, 2021, (December 31, 2020: $170,824). During the nine-month period ended December 31, 2021 the Company incurred $1,298,213 (December 31, 2020: $488,323) of reorganization and acquisition costs. These costs included $270,268 of bank and legal fees related to the terminated credit agreement (note 13), $689,472 of professional fees related to the Board of Directors strategic review announced by the Company on August 25, 2021, and $338,473 of professional fees paid to consultants, financial and legal advisors for business acquisitions undertaken by the Company, fees related to business amalgamations, rebranding, reorganization expenses including severance expense related to amalgamations. During the three-month period ended December 31, 2020 costs included professional fees paid to consultants, financial and legal advisors for business acquisitions, fees related to business amalgamations, rebranding expenses, and severance expense for terminations as part of a restructuring effort.

22. SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company’s other components. The operating results of all operating segments are reviewed regularly by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assessing their performance. The Company’s chief operating decision maker is the Chief Executive Officer. The Company operates in two reportable segments described below and accounts for intersegment sales as if they were to external customers.

Logixx Security provides security services for enterprise customers across Canada. Services include protective services (also known as guarding) as well as security system design, sales, installations, and monitoring and alarm response.

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

Revenues from one customer of the Company’s Logixx Security segment represents approximately $7,600,000, or 10.8% of the Company’s consolidated revenues during the nine-month period ended December 31, 2021, (December 31, 2020: one customer represents approximately 16.5% or $11,000,000).

22. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the three-month period ending December 31, 2021 are included below:

	For the three-months ended December 31, 2021				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 18,638,554	$ 4,752,305	$ -	$ (104,763)	$ 23,286,096
Cost of sales	15,954,107	2,711,929	-	(104,763)	18,561,273
Gross profit	2,684,447	2,040,376	-	-	4,724,823
Operating expenses					
Salaries, benefits and commissions	1,097,611	662,321	660,375	-	2,420,307
Administration	1,145,939	645,601	(316,968)	(3,826)	1,470,746
Depreciation on capital assets	199,910	162,302	44,864	-	407,076
Amortization on intangible assets	-	-	210,490	-	210,490
Merchant transaction fees and bank charges	4,747	78,260	12,169	-	95,176
Share based payments	-	-	(8,655)	-	(8,655)
	2,448,207	1,548,484	602,275	(3,826)	4,595,140
Income (loss) before other income and expenses	236,240	491,892	(602,275)	3,826	129,683
Other (income) expenses					
Miscellaneous (income) expense	29,356	(15,664)	(20,400)	3,826	(2,882)
Interest expense	316,138	22,228	70,031	-	408,397
Foreign exchange (gain) loss	26,599	1,100	(89)	-	27,610
Loss in fair value of derivative liability	-	-	(2,516,282)	-	(2,516,282)
Total other (income) expenses	372,093	7,664	(2,466,740)	3,826	(2,083,157)
Income (loss) before reorganization, and acquisition costs	(135,853)	484,228	1,864,465	-	2,212,840
Reorganization and acquisition costs	168,488	15,944	327,436	-	511,868
Income (loss) before income	(304,341)	468,284	1,537,029	-	1,700,972
Provision for income taxes					
Current income tax expense (recovery)	21,985	-	-	-	21,985
Deferred income tax expense (recovery)	415	128,387	(60,911)	-	67,891
	22,400	128,387	(60,911)	-	89,876
Net Income (loss) for the period	(326,741)	339,897	1,597,940	-	1,611,096
Total comprehensive income (loss) for the period	**$ (326,741)**	**$ 339,897**	**$ 1,597,940**	**$ -**	**$ 1,611,096**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the three-month comparative period ending December 31, 2020 are included below:

	For the three-months ended Dec 31, 2020				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 20,940,017	$ 4,327,994	$ -	$ (63,746)	$ 25,204,265
Cost of sales	17,140,169	$ 2,543,779	$ -	$ (63,746)	$ 19,620,202
Gross profit	3,799,848	1,784,215	-	-	5,584,063
Operating expenses					
Salaries, benefits and commissions	1,065,514	715,092	677,843	-	2,458,449
Administration	913,408	593,908	(188,672)	-	1,318,644
Depreciation on capital assets	79,167	176,743	56,631	-	312,541
Amortization on intangible assets	-	-	893,202	-	893,202
Merchant transaction fees and bank charges	13,895	74,012	8,577	-	96,484
Share based payments	-	-	(55,943)	-	(55,943)
	2,071,984	1,559,755	1,391,638	-	5,023,377
Income (loss) before other income and expenses	1,727,864	224,460	(1,391,638)	-	560,686
Other (income) expenses	-	-	-	-	-
Miscellaneous (income) expense	22,743	(27,611)	(38,998)	-	(43,866)
Interest expense	289,198	30,645	75,856	-	395,699
Foreign exchange (gain) loss	122,811	3,997	445	-	127,253
Loss in fair value of derivative liability	-	-	1,403,821	-	1,403,821
Total other (income) expenses	434,752	7,031	1,441,124	-	1,882,907
Income (loss) before reorganization, and acquisition costs	1,293,112	217,429	(2,832,762)	-	(1,322,221)
Reorganization and acquisition costs	121,699	-	49,125	-	170,824
Income (loss) before income taxes	1,171,413	217,429	(2,881,887)	-	(1,493,045)
Provision for income taxes					
Current income tax expense (recovery)	198,525	-	-	-	198,525
Deferred income tax expense (recovery)	61,125	67,293	(327,483)	-	(199,065)
Net Income (loss) for the period	911,763	150,136	(2,554,404)	-	(1,492,505)
Other comprehensive income (loss)					
Unrealized gain on investments	-	-	-	-	-
	-	-	-	-	-
Total comprehensive income (loss) for the period from continuing operations	**$ 911,763**	**$ 150,136**	**$ (2,554,404)**	**$ -**	**$ (1,492,505)**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the nine-month period ending December 31, 2021 included below.

	For the nine-months ended December 31, 2021				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 57,043,516	$ 13,221,798	$ -	$ (257,573)	$ 70,007,741
Cost of sales	47,691,618	7,710,046	-	(254,673)	55,146,991
Gross profit	9,351,898	5,511,752	-	(2,900)	14,860,750
Operating expenses					
Salaries, benefits and commissions	3,193,702	2,130,937	1,836,015	-	7,160,654
Administration	3,337,240	1,996,962	(1,165,359)	(14,376)	4,154,467
Depreciation on capital assets	487,500	528,092	135,202	-	1,150,794
Amortization on intangible assets	-	-	631,470	-	631,470
Merchant transaction fees and bank charges	19,490	184,905	21,185	-	225,580
Share based payments	-	-	90,461	-	90,461
	7,037,932	4,840,896	1,548,974	(14,376)	13,413,426
Income (loss) before other income and expenses	2,313,966	670,856	(1,548,974)	11,476	1,447,324
Other (income) expenses					
Miscellaneous (income) expense	62,746	(35,726)	(66,310)	11,476	(27,814)
Interest expense	942,917	71,591	206,349	-	1,220,857
Foreign exchange (gain) loss	70,528	5,353	(363)	-	75,518
Loss in fair value of derivative liability	-	-	(471,017)	-	(471,017)
Total other (income) expenses	1,076,191	41,218	(331,341)	11,476	797,544
Income (loss) before reorganization, and acquisition costs	1,237,775	629,638	(1,217,633)	-	649,780
Reorganization and acquisition costs	195,897	15,944	1,086,372	-	1,298,213
Income (loss) before income	1,041,878	613,694	(2,304,005)	-	(648,433)
Provision for income taxes					
Current income tax expense (recovery)	21,985	-	-	-	21,985
Deferred income tax expense (recovery)	99,346	436,119	(167,497)	-	367,968
	121,331	436,119	(167,497)	-	389,953
Net Income (loss) for the period	920,547	177,575	(2,136,508)	-	(1,038,386)
Total comprehensive income (loss) for the period	**$ 920,547**	**$ 177,575**	**$ (2,136,508)**	**$ -**	**$ (1,038,386)**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the nine-month comparative period ending December 31, 2020 are included below

	For the nine-months ended Dec 31, 2020				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 54,875,546	$ 12,489,143	-	$ (354,929)	$ 67,009,760
Cost of sales	44,622,191	7,258,442	-	(352,029)	51,528,604
Gross profit	10,253,355	5,230,701	-	(2,900)	15,481,156
Operating expenses					
Salaries, benefits and commissions	3,024,049	2,131,554	2,271,200	-	7,426,803
Administration	2,901,694	1,792,612	(974,587)	(2,900)	3,716,819
Depreciation on capital assets	225,414	520,024	171,158	-	916,596
Amortization on intangible assets	-	-	2,719,706	-	2,719,706
Merchant transaction fees and bank charges	46,748	177,686	13,762	-	238,196
Share based payments	-	-	58,219	-	58,219
	6,197,905	4,621,876	4,259,458	(2,900)	15,076,339
Income (loss) before other income and expenses	4,055,450	608,825	(4,259,458)	-	404,817
Other (income) expenses					
Miscellaneous (income) expense	65,503	(50,842)	(94,739)	-	(80,078)
Interest expense	862,953	85,447	207,483	-	1,155,883
Foreign exchange (gain) loss	178,411	49,957	(1,374)	-	226,994
Loss in fair value of derivative liability	-	-	1,901,030	-	1,901,030
Total other (income) expenses	1,106,867	84,562	2,012,400	-	3,203,829
Income (loss) before reorganization, and acquisition costs	2,948,583	524,263	(6,271,858)	-	(2,799,012)
Reorganization and acquisition costs	286,723	-	201,600	-	488,323
Income (loss) before income taxes	2,661,860	524,263	(6,473,458)	-	(3,287,335)
Provision for income taxes					
Current income tax expense (recovery)	198,525	-	-	-	198,525
Deferred income tax expense (recovery)	506,253	157,953	(812,717)	-	(148,511)
	704,778	157,953	(812,717)	-	50,014
Net Income (loss) for the period	1,957,082	366,310	(5,660,741)	-	(3,337,349)
Other comprehensive income (loss)					
Unrealized gain on investments	-	-	(47,200)	-	(47,200)
	-	-	(47,200)	-	(47,200)
Total comprehensive income (loss) for the period from continuing operations	**$ 1,957,082**	**$ 366,310**	**$ (5,707,941)**	**$ -**	**$ (3,384,549)**

22. SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities as at December 31, 2021 and March 31, 2021 are as follows:

Segment assets are as follow:	**Logixx Security**	**Avante Security**	**Corporate**	**Total**
As at March 31, 2021	$ 19,088,781	$ 8,560,906	$ 16,456,427	$ 44,106,114
As at December 31, 2021	$ 19,566,786	$ 9,228,111	$ 14,939,616	$ 43,734,513

Segment liabilities are as follow:	**Logixx Security**	**Avante Security**	**Corporate**	**Total**
As at March 31, 2021	$ 15,242,268	$ 10,854,073	$ 6,377,656	$ 32,473,997
As at December 31, 2021	$ 7,143,580	$ 5,228,483	$ 20,693,098	$ 33,065,161

23. DISCONTINUED OPERATIONS

On August 10, 2020, the Company announced its intention to sell its 70% majority interest in City Wide for $2,341,500. The subsidiary was sold on September 30, 2020 resulting in a loss on disposition before income tax of $9,627 and is reported in the twelve-month period ending March 31, 2021 (and the three and nine-months ended December 31, 2020) as a discontinued operation. The Company received $1,891,500 in cash and issued an interest bearing vendor take back note of $450,000 receivable on or before September 30, 2025. The ownership interest in City Wide was acquired by the Company on April 1, 2016. The Company's financial results for the prior fiscal periods reported throughout these condensed interim consolidated financial statements have been adjusted to reflect continuing operation results and figures that exclude these City Wide discontinued operations.

As a result of the sale on September 30, 2020, during the twelve-month period ending March 31, 2021, the Company recognized the following loss on disposition in the consolidated statement of loss and comprehensive loss:

Gross cash proceeds of sale	$ 1,891,500
Vendor take back loan	450,000
Total consideration	2,341,500
Less: transaction costs	85,944
Net proceeds of sale	**2,255,556**
Assets	
Total current assets	2,661,109
Total non-current assets	3,234,948
Total assets	**5,896,057**
Liabilities	
Total current liabilities	1,952,782
Total non-current liabilities	1,210,598
Total liabilities	**3,163,380**
Total net assets	**2,732,677**
Non-Controlling Interest	(467,494)
Loss on disposal, before tax	**$ (9,627)**

The Company lost control of $730,218 of cash balance included in the total current assets disposed. Such balances were restricted by minimum working capital requirements set out in the shareholder agreement. In addition, at the time of the sale, City Wide had vehicle loans reflected within the liabilities disclosed in the above table.

24. SUBSEQUENT EVENTS

Sale of the Company

On February 8, 2022, the Company entered into a definitive arrangement agreement (the "Arrangement Agreement") with SSC Security Services Corp. ("SSC") pursuant to which SSC has agreed to acquire all of the Company's common shares by way of a statutory plan of arrangement (the "Arrangement"). Under the terms of the Arrangement Agreement, shareholders of the Company will receive $0.52 in cash plus 0.4155 common shares of SSC for each common share of the Company (the "Shares") to be paid on completion of the Arrangement. SSC's common shares are listed on the TSX Venture Exchange under the symbol SECU.

The Arrangement will be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (Ontario) OBCA. The Arrangement requires the approval of the holders of Shares representing at least two-thirds of all votes cast at a special meeting of shareholders anticipated to be held in April 2022 and a majority of such votes excluding the votes required to be excluded by applicable securities laws.

The Arrangement is also subject to the satisfaction of certain closing conditions customary in transactions of this nature, including TSX Venture Exchange approval and the approval of the Ontario Superior Court of Justice (Commercial List). The Arrangement is not subject to any financing condition. The Company is subject to customary non-solicitation provisions under the Arrangement Agreement.

Under the Arrangement Agreement, the Company may be required to pay a termination fee in the amount of $1,800,000 in the event the Arrangement Agreement is terminated in certain circumstances, following the occurrence of a termination fee event. Additionally, in the event the Company's shareholders do not approve the SSC transaction, an expense reimbursement to SSC in the amount of 2.5 times actual expenses (up to a maximum of $750,000) will be payable by the Company. Further, in the event the Arrangement is terminated, the Company would also be required to absorb the costs of other advisory and related expenses in the expected range of $800,000 to $1,000,000.

If all required approvals are obtained, the Transaction is expected to close in April 2022.

Conversion of Convertible Debentures

On February 17, 2022, the Company announced that it received notice from the debenture holder to convert all of the outstanding convertible debentures issued by the Company into common shares of the Company. After giving effect to the conversion on the effective date at $1.56 per share, an aggregate of 5,297,434 common shares were issued to the holder, representing 19.998% of all common shares outstanding including the newly issued shares. The effective date was February 16, 2022 and the Company paid interest due in respect of the time from its last interest payment on December 31, 2021, up to and including the conversion's effective date. During it's fourth fiscal quarter ending March 31, 2022, the Company will record a net gain for accounting purposes of approximately $0.3 million as a consequence of this conversion.