



SECURITY SERVICES CORP.



FISCAL YEAR ENDED SEPTEMBER 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS



SECURITY RESOURCE GROUP INC.

LOGIXX
SECURITY

SSC Security Services Corp.
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2024
(All amounts are in thousands of Canadian dollars unless otherwise indicated)

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of SSC Security Services Corp. and its subsidiaries ("the Company", "we", "our", "SSC") provides information to assist readers of, and should be read in conjunction with, the audited consolidated financial statements for the quarter and year ended September 30, 2024, including the notes thereto, and the Annual Information Form ("AIF") for the fiscal year September 30, 2024. In the opinion of management, such financial statements contain all adjustments necessary for a fair presentation of the results for such periods. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated

Additional information related to SSC Security Services Corp. may be obtained from SEDAR+ at www.sedarplus.ca or on our website at www.securityservicescorp.ca.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of December 9, 2024.

Overview & Highlights

The predecessor corporation of SSC Security Services Corp. was incorporated under *The Business Corporations Act (Saskatchewan)* (the "Act") on October 25, 2011. The existing Company was formed by an amalgamation under the Act on August 8, 2013, and, prior to October 1, 2021, was known as Input Capital Corp. The Company's common shares are publicly traded on the TSX Venture Exchange under the symbol "SECU" (OTCQX: SECUF).

The head office of the Company is located at 300 – 1914 Hamilton Street, Regina, Saskatchewan, S4P 3N6. The Company's registered and records office is located at 800 – 1801 Hamilton Street, Regina, Saskatchewan, S4P 4B4.

On February 1, 2021, the Company acquired SRG Security Resource Group Inc. ("SRG"), which provides cyber and physical security services to commercial, industrial and public sector clients across Canada.

In July 2021, SRG acquired certain regional operations of Impact Security Group Inc.

On October 1, 2021, the Company changed its name from Input Capital Corp. to SSC Security Services Corp. and changed its ticker symbol on the TSX Venture Exchange from INP to SECU in conjunction with a 1-for-3 share consolidation.

On November 15, 2021, the Company's shares began trading on the OTCQX in the United States, under the symbol "SECUF".

On June 1, 2022, the Company acquired Logixx Security Inc. ("Logixx"), a Toronto, Ontario-based provider of physical protective security services as well as security system design, sales, installations, monitoring, and alarm response.

SSC is a publicly traded security company in Canada, debt-free, and has approximately 3,000 employees from coast to coast. With operations in every province, SSC is well positioned for growth in the cyber, physical, and electronic security space. Using its substantial balance sheet, internally generated cash flow, its revolving credit facilities and additional specific debt financing capacity, SSC is more than sufficiently capitalized to deliver on its business plan for the foreseeable future, while continuing to pay its quarterly dividend.

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Fiscal year ended September 30, 2024

Our basic income per share was \$0.03 for the fiscal year ended September 30, 2024, compared to income of \$0.00 per share for the same twelve-month period last year.

Adjusted EBITDA per share was \$0.26 for the fiscal year ended September 30, 2024, compared to \$0.22 for the same twelve-month period last year.

Three months ended September 30, 2024

In the fourth quarter, we had a basic net loss per share of \$0.01 compared with a basic net loss of \$0.01 in the same quarter last year.

Adjusted EBITDA per share was \$0.07 for the three months ended September 30, 2024, compared to \$0.08 for the same three-month period last year.

STRATEGY

The Company's strategy is to deploy its balance sheet into growth via acquisition and organic growth opportunities in the cyber, physical, and electronic security industry, along with adjacent verticals. This strategy targets growing the Company into a \$200 to \$300 million annual revenue company over the next 3-5 years.

In accomplishing this strategy, we may launch or acquire new products and or companies whose products and services are a fit with our current service offerings, or where current service offerings offer an excellent add-on to the clients of the business being acquired. We see many cross-selling opportunities between cyber, electronic, and physical security which can be significantly additive to the strength of the security platform we are building.

Some of the initiatives that will contribute to the success of the strategy are:

- Profitable top-line growth which improves consolidated Adjusted EBITDA per Share;
- Maintaining low levels of debt compared to industry averages;
- Growing free cash flow available for reinvestment in growth initiatives; and
- Investments in platform and tuck-in acquisitions.

Our senior management team has over 70 years of experience building and operating profitable security companies.

As of September 30, 2024, management, directors and employees owned about 37.6% of the Company's outstanding shares (38.9% on a fully-diluted basis), so we will very much participate in this success together with shareholders.

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Selected Financial Information

The following selected financial information for the quarter and fiscal years ended September 30, 2024, and 2023 have been derived from the audited consolidated financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined and reconciled in the Non-IFRS Measures section of this MD&A:

Statement of Comprehensive Income (Loss)	Fiscal Year ended		
	2024	30-Sep 2023	2022
Revenue	120,623	109,055	49,697
Cost of Sales	103,054	92,805	41,227
Gross Profit	17,569	16,250	8,470
Gross Margin (%)	14.6%	14.9%	17.0%
Comprehensive Net Income (Loss)	596	87	(981)
Adjusted Net Income	1,992	2,110	1,459
Adjusted EBITDA	5,008	4,296	2,144
Per Share (Basic Fully Diluted)			
Comprehensive Net Income (Loss)	0.03 0.03	0.00 0.00	(0.05) (0.05)
Adjusted Net Income	0.10 0.10	0.11 0.11	0.07 0.07
Adjusted EBITDA	0.26 0.26	0.22 0.21	0.11 0.10
Dividends Paid	0.12	0.12	0.12

Statement of Financial Position	As at	As at	As at
	30-Sep-24	30-Sep-23	30-Sep-22
Cash	13,341	14,843	11,195
Accounts Receivable	22,672	21,835	20,889
Legacy business assets	6,628	8,331	13,317
Working Capital	26,890	26,533	24,607
Long-term debt	0	0	0
Total assets	81,223	84,776	87,669
Total liabilities	16,705	17,089	17,024
Total shareholders' equity	64,518	67,687	70,644

RESULTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Revenues

Since 2020 we have been exiting the legacy agriculture streaming business and have since acquired two companies within the security business. Revenues for the fiscal year ended September 30, 2024 were \$120.6 million compared with \$109.1 million during the previous fiscal year ended September 30, 2023, an increase of \$11.5 million, or 10.5%.

Revenues for the quarter ended September 30, 2024 were \$29.6 million compared with \$29.3 million during the previous quarter ended September 30, 2023, an increase of \$0.3 million, or 1.0%.

The increase in revenues over the prior year is entirely attributable to internally generated organic growth.

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Adjusted EBITDA

While Adjusted EBITDA does not have a standard definition under IFRS, Adjusted EBITDA and Adjusted EBITDA per share are the primary metrics used by management to determine the performance of the Company, and Adjusted EBITDA is the basis on which companies operating in our industry are valued for transaction purposes. Our calculation of Adjusted EBITDA excludes all impacts of the Company's Legacy business, making more relevant backward and forward comparisons of results using these metrics.

Adjusted EBITDA for the fiscal year ended September 30, 2024, was \$5.0 million (\$0.26 per share), as compared to \$4.3 million (\$0.22 per share) during the prior fiscal year ended September 30, 2023. The increase continues to indicate improvements in the performance of the acquired companies, along with the organic growth realized within the current fiscal year.

Adjusted EBITDA for the quarter ended September 30, 2024, was \$1.2 million (\$0.07 per share), as compared to \$1.6 million (\$0.08 per share) during the same quarter last year.

A reconciliation of earnings to EBITDA and Adjusted EBITDA is provided in the Non-IFRS section of this MD&A.

Gross Profit

Gross profit for the year ended September 30, 2024, increased to \$17.6 million (14.6% of revenue) from \$16.3 million (14.9% of revenue) during the previous year. The gross margin percentage for each of the periods remains consistent with our long-term expectations for the security business.

For the quarter ended September 30, 2024, gross margin increased to \$4.5 million (15.1% of revenue) from \$4.0 million (13.7% of revenue) during the previous quarter ended September 30, 2023.

Comprehensive Net Income (Loss)

Comprehensive net income for the year ended September 30, 2024 was \$0.6 million (income of \$0.03 per share), compared to comprehensive net income in the previous year of \$0.1 million (income of \$0.00 per share).

For the quarter ended September 30, 2024, we recorded a comprehensive net loss of \$0.1 million (loss of \$0.01 per share), consistent with the prior year quarter ended September 30, 2024 comprehensive net loss of \$0.1 million (loss of \$0.01 per share).

Financial Position

SSC has a very strong financial position. Total assets as at September 30, 2024 decreased by \$3.6 million, or 4.2%, compared to total assets as of September 30, 2023. Our cash position at September 30, 2024 was \$13.3 million, which represents a 11.3% decrease compared to the cash balance of \$14.8 million at September 30, 2023. Our ending cash balance fluctuates based on the timing of working capital items, Normal Course Issuer Bid ("NCIB") activity levels over the course of the fiscal year, and legacy asset settlement timing.

In the current fiscal year, SSC continued payment of dividends and bought back shares via our NCIB program. We were able to fund these activities because the security business continued to provide positive Adjusted EBITDA, along with the continued contract buyout activities and contract maturities in our legacy business portfolio.

Our financial strength is a result of a significant cash position and no debt on the balance sheet but is generally enhanced by financial assets from our legacy business which continue to be converted to cash. The remaining

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mortgages and loans outstanding have payment plans in place, and collection accounts are moving toward the end of the legal process associated with foreclosure and collection. Progress can be seen in the carrying values of each of these categories from quarter to quarter, and in each of these areas, we expect significant write-ups and cash recovery at the time of final resolution.

Summary of Quarterly Results

The following is a summary of selected highlights of the eight most recent quarterly results of the Company:

Net and comprehensive income (loss)	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Total revenue	29,612	29,726	30,402	30,882	29,291	26,512	25,218	28,019
Comprehensive net (loss) income	(146)	26	650	66	(146)	(12)	(40)	286
Adjusted EBITDA	1,241	1,265	1,130	1,371	1,552	1,016	848	879
Per share (Basic)								
Comprehensive net (loss) income	(0.01)	0.00	0.03	0.00	(0.01)	(0.00)	(0.00)	0.01
Adjusted net income	0.03	0.04	0.00	0.04	0.02	0.02	0.02	0.01
Adjusted EBITDA	0.07	0.06	0.06	0.07	0.08	0.05	0.04	0.04
Per share (FD)								
Comprehensive net (loss) income	(0.01)	0.00	0.03	0.00	(0.01)	(0.00)	(0.00)	0.01
Adjusted net income	0.02	0.04	0.00	0.04	0.02	0.02	0.02	0.01
Adjusted EBITDA	0.06	0.06	0.06	0.07	0.08	0.05	0.04	0.04

Financial Position								
Cash	13,341	12,367	14,097	9,779	14,843	12,648	12,781	9,199
Accounts receivable	22,672	23,176	23,298	25,298	21,835	21,499	20,540	23,524
Legacy business assets	6,628	6,719	6,759	7,707	8,331	7,860	10,557	11,969
Working capital	26,890	28,317	28,586	27,808	26,533	27,290	25,968	25,151
Total assets	81,223	81,181	83,774	82,755	84,776	82,522	84,959	86,965
Total liabilities	16,705	15,682	17,449	15,872	17,089	13,877	15,628	16,969
Total shareholders' equity	64,518	65,499	66,326	66,882	67,687	68,646	69,331	69,997
Common shares outstanding	18,704	18,816	18,933	19,193	19,313	19,412	19,454	19,483
Dividends paid per share	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03

Due to changes in business operations, certain prior period figures have been reclassified.

BUSINESS SEGMENT OPERATING RESULTS

We currently have three operating segments: Security Services, Legacy Operations, and Corporate. The accounting policies of the three segments are consistent with those of the consolidated entity.

In the security services segment, management evaluates performance based on revenue growth, gross profit margin, and growth in Adjusted EBITDA on a nominal and per share basis. As illustrated in the tables below, security services

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now dominate our business in its contribution to revenue, gross margin and operating income. But significant other income in our legacy business also contributes to net income.

Our legacy business is declining rapidly in size as client contracts mature or are bought out. We expect most of the activity in our legacy business to occur in investing activities rather than operating activity, as we recover capital as a result of mortgage buyouts, asset recoveries, and asset sales. This trend is reflected in the table below. Management evaluates performance of the legacy operations primarily based on the pace at which these assets can be converted to cash on a cost-efficient basis.

A summary of segment operating performance during the quarter ended and fiscal years ended September 30, 2024 and 2023 is provided below:

	Quarter ended September 30, 2024			Year ended September 30, 2024		
	Security Services	Legacy Operations & Corporate	Total	Security Services	Legacy Operations & Corporate	Total
Revenue	29,661	(49)	29,612	120,882	(259)	120,623
Cost of sales	25,204	(49)	25,155	103,313	(259)	103,054
Gross profit	4,457	(0)	4,457	17,569	0	17,569
<i>Gross margin %</i>	<i>15.0%</i>	<i>0.0%</i>	<i>15.1%</i>	<i>14.5%</i>	<i>0.0%</i>	<i>14.6%</i>
Corporate administration	4,540	49	4,589	17,475	599	18,073
(Loss) income from operations	(83)	(49)	(132)	94	(599)	(504)
Financing income	115	40	155	281	250	531
Other income (loss)	44	(79)	(35)	210	866	1,076
Net income (loss) before income tax	76	(88)	(12)	586	517	1,103

	Quarter ended September 30, 2023			Year ended September 30, 2023		
	Security Services	Legacy Operations & Corporate	Total	Security Services	Legacy Operations & Corporate	Total
Revenue	29,255	36	29,291	108,957	98	109,055
Cost of sales	25,247	36	25,283	92,742	63	92,805
Gross profit	4,008	0	4,008	16,215	35	16,250
<i>Gross margin %</i>	<i>13.7%</i>	<i>0.0%</i>	<i>13.7%</i>	<i>14.9%</i>	<i>35.5%</i>	<i>14.9%</i>
Corporate administration	4,105	577	4,682	16,496	1,631	18,127
Loss from operations	(97)	(577)	(674)	(281)	(1,596)	(1,877)
Financing (expense) income	(94)	286	192	(470)	1,149	679
Other income	64	317	381	31	1,311	1,342
Net (loss) income before income tax	(127)	26	(101)	(720)	864	144

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NORMAL COURSE ISSUER BID

During the year ended September 30, 2024, we bought back 591,400 shares at an average price of \$2.52 per share (year ended September 30, 2023 – bought back 382,500 at an average price of \$2.87). We renewed our NCIB for the upcoming year on January 4, 2024, because we continue to believe that our shares have been trading in a price range which does not adequately reflect their value and that the purchase of shares under the NCIB will enhance shareholder value in general.

STRONG CASH + NEAR CASH POSITION

As of September 30, 2024, we had \$13.3 million in cash, or \$0.71 per share, which is 29.1% of our market capitalization based on the closing share price of our shares of \$2.45 on the TSX Venture Exchange on that date.

When taking into account the cash expected to be added to the balance sheet as a result of winding up the legacy business and bringing accounts receivable levels closer to management's expectations (collectively referred to by us as "Near Cash"), our Cash + Near Cash is equal to \$25.7 million, or \$1.38 per share, which is 56.2% of our market capitalization as of September 30, 2024.

DEFERRED SHARE UNIT PLAN

We have a Deferred Share Unit plan (the "DSU Plan") that provides for the payment of independent director compensation with deferred share units. Each director may elect to receive all or a portion of their board retainer in the form of DSUs rather than cash. Each deferred share unit is a right granted by SSC to an eligible non-executive director to receive a cash payment equivalent to the value of one common share when a participant ceases to be a director. The number of deferred share units to be granted under the DSU Plan is determined by dividing the elected amount of such eligible directors' annual board retainer by the volume weighted average price of our common shares traded on the TSX Venture Exchange immediately preceding the date on which the deferred share units are awarded to such eligible director. Director annual board retainers are awarded on the first day of the fiscal year and vest over the fiscal year. Vested deferred share units are paid out in cash when a participant ceases to be a director. The DSU plan is considered an unfunded plan, under which no securities can be issued. To the extent that any individual holds any rights under the DSU Plan such rights shall be no greater than the rights of an unsecured general creditor.

Given that we do not have the right to issue any shares to settle this plan, the promise to issue the DSU units has been recorded as a current liability. As a result, fluctuations in our share price impact the value of DSUs outstanding: increases in our share price increase the DSU liability and decrease net income, and decreases in our share price decrease the DSU liability and increase net income. This impact is neutralized in our calculation of Adjusted EBITDA. At September 30, 2024, the deferred share units were valued at \$2.45 per unit. The total number of vested deferred share units outstanding at September 30, 2024 was 474,663.

SHARE APPRECIATION RIGHTS PLAN

On October 27, 2022, the Company adopted a Share Appreciation Rights Plan (the "SAR Plan") pursuant to which it may grant share appreciation rights ("SARs"). These SARs have been issued to certain employees and executive officers that entitle them to a cash payment equal to the share price appreciation from the grant price. The SARs vest one-third per year over a three-year vesting period and expire at the end of a five-year period after the grant date. As of September 30, 2024, the total number of issued SARs was 625,000.

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The Security Business

Our strategic objective is to use our balance sheet to acquire and grow a portfolio of profitable Canadian security companies.

Our two wholly owned subsidiaries (SRG and Logixx) provide cyber, physical and electronic security services to primarily commercial, industrial and public sector clients. Our clients include federal and provincial governments, Crown corporations, and many high profile corporate and public sector clients such as hospitals, airports, utility companies and police forces.

Cyber Security Services

Cyber security services are offered across Canada by SRG and comprises about 5% of the Company's revenue. In this segment, SRG provides Managed Security Services (MSS), vulnerability and risk analysis, cyber security consulting services, CISO consulting, and cyber security staff augmentation services to corporate and public sector clients. For a list of current and past cyber security clients, please see the About SRG segment of SRG's website at www.securityresourcegroup.com.

Physical Security Services

Physical security services are offered to clients across Canada, with approximately half of the employees in this segment located in Ontario. We expect physical security services to represent approximately 90% of our revenue on a pro forma basis.

In this segment, the Company provides on-site security guard, remote continuous camera monitoring, mobile patrol and investigative services to commercial and public sector clients located across Canada. For a list of current and past physical security clients, please see our corporate presentations on our website at www.securityservicescorp.ca.

Electronic Security ("ES")

Electronic security integrates monitoring and access control technology. We design, build, install, and monitor electronic security systems for corporate clients across Canada. ES revenue is primarily project-based and is expected to represent 5% of the Company's total annual revenue.

OUR PLANS IN THE SECURITY BUSINESS

The security business is a highly fragmented industry in Canada. According to Statistics Canada, there are over 2,700 companies providing some kind of physical security services in Canada. Many of these are small owner-operated businesses, with a tier of mid-sized and larger companies as well.

Building on the 35 years of experience in the security industry of SRG founders Doug Emsley and Blair Ross (CEO and COO of SSC, respectively), we see an opportunity to use SSC's balance sheet to grow into a solid, well-capitalized, profitable and growing security platform that grows organically and opportunistically via acquisition and consolidation of small and mid-sized companies in the security industry. Companies in similar business-to-business services spaces with comparable economics and consistent track records trade at attractive multiples in the public market, and we believe that pursuing this growth strategy will yield positive outcomes for our shareholders.

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Our strategy is to deploy our balance sheet into growth via acquisition and organic growth opportunities in the physical and cyber security industry, along with adjacent verticals. This strategy targets growing the Company into a \$200 to \$300 million annual revenue company over the next 3-5 years.

In accomplishing this strategy, we may launch or acquire new products and/or companies whose products and services are a fit with our current service offerings, or where current service offerings offer an excellent add-on to the clients of the business being acquired. We see cross-selling opportunities between cyber and physical security which can be significantly additive to the strength of the security platform we are building.

Our senior management team has over 70 years of experience building and operating profitable security companies. The combined leadership team of SSC and its subsidiaries consists of:

- Doug Emsley, Chairman, President & Chief Executive Officer of the combined companies.
- Blair Ross, Chief Operating Officer of the combined companies.
- Brett Leonard, Chief Financial Officer of the combined companies; and
- Bryan Kelly, Executive Vice-President & General Manager of Logixx.

As of September 30, 2024, management, directors and employees owned about 37.6% of the Company's outstanding shares (38.9% on a fully-diluted basis), so we will very much participate in this success together with shareholders.

The Legacy Business

We no longer provide services to new clients related to our legacy agriculture streaming business. Our focus is on closing off that part of our business as rapidly as possible and repatriating capital from it. As a result, quarterly revenue from this line of business is no longer material and is not presented separately on the income statement, although insight into this segment can be seen in the segmented reporting section of the financial statements. The financial impact of winding-up the Legacy business is excluded from the Company's calculation of Adjusted EBITDA and Adjusted EBITDA per share, making the results as measured by those metrics "security-only" results. This is to help shareholders and investors make relevant comparisons of current results against previous results, as well as against future results, when the Legacy business is completely wound up.

Legacy business related assets include assets held for sale, mortgages and loans receivable and legacy contract assets. As of September 30, 2024, the carrying value of these legacy assets was \$6.6 million, down from \$8.3 million at the end of the previous fiscal year.

Liquidity and Capital Resources

We previously financed our legacy business with the equity proceeds of issuing common shares through a private placement completed on November 30, 2012, subsequent public offering and private placements completed on October 4, 2013 and July 9, 2014, our internally generated cash flow, and the use of credit facilities. Now, as a security company, our internally generated cash flow from operating and investing activities is sufficient to cover our ongoing operational expenses, although the timing of cash flow and expenses may vary.

We expect that cash from operations and cash recovered from our legacy business, together with cash and cash equivalents on hand will be more than sufficient to fund our working capital and capital expenditure requirements.

At September 30, 2024, we had net working capital of \$26.7 million as well as substantial tangible assets related to our legacy business. We will draw on our working capital to meet our financial obligations. Capital not invested earns daily interest by being kept on deposit with a Canadian chartered bank. Our Normal Course Issuer Bid (NCIB) reduces

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our working capital every time we buy back shares of the Company, but also reduces the number of shares outstanding. For more details on the NCIB program, please see the discussion in the relevant section elsewhere in this MD&A.

For a further discussion of financing and risks associated with the execution and financing of our growth strategy, please refer to the Risks Factors section of this MD&A.

Cash Flows

Statement of Cash Flows	Quarter ended September 30		Year ended September 30	
	2024	2023	2024	2023
Cash from operating activities	2,195	3,648	1,957	2,486
Cash (applied to) received from investing activities	(58)	(328)	1,460	5,197
Cash applied to financing activities	(925)	(1,125)	(4,919)	(4,035)

Operating Activities

Cash generated from operating activities was \$2.0 million during the year ended September 30, 2024 as compared to cash generated from operating activities of \$2.5 million during the year ended September 30, 2023.

Cash generated from operating activities was \$2.2 million during the quarter ended September 30, 2024 as compared to cash received from operating activities of \$3.6 million during the quarter ended September 30, 2023.

Investing Activities

Cash received from investing activities was \$1.5 million during the year ended September 30, 2024 compared to cash received of \$5.2 million during the year ended September 30, 2023. The change is primarily a result of larger legacy impacts in the prior year compared to the current fiscal period.

Cash applied to investing activities was consistent in the quarter ended September 30, 2024 and the quarter ended September 30, 2023 (\$0.1 million during the quarter ended September 30, 2024 compared to \$0.3 million during the quarter ended September 30, 2023).

Financing Activities

Cash used in financing activities was \$4.9 million during the year ended September 30, 2024 compared to cash used of \$4.0 million during the year ended September 30, 2023. The increase in cash outflows can be attributed to an increase in our share buyback activity this fiscal year.

Cash used in financing activities was \$0.9 million during the quarter ended September 30, 2024 compared to cash used of \$1.1 million during the quarter ended September 30, 2023.

Debt & Lease Obligations Outstanding

As of September 30, 2024, we had no outstanding long-term debt (no outstanding long-term debt as at September 30, 2023 as well).

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The Company acquired, or has entered into multiple property and vehicle lease agreements that have the following details:

- As a part of the SRG acquisition we acquired a five-and-a-half-year property lease agreement ending December 31, 2024. During the period, the lease was renewed for a three-year term ending December 31, 2027. The Company's commitment remaining under this lease totals \$0.1 million.
- Entered into a three-year property lease agreement ending May 31, 2026. The Company's commitment remaining under this lease totals \$0.1 million.
- Entered into a two-year property lease agreement ending November 30, 2024. The Company's commitment remaining under this lease totals \$0.1 million.
- Entered into multiple vehicle lease agreements with multiple term end dates. The Company's commitments remaining under these leases' totals \$1.3 million.

Issuance of Stock Options

As at September 30, 2024, there were a total of 399,998 options outstanding to purchase common shares, with a weighted average strike price of \$2.59, expiring at various dates between February 2026 and June 3, 2027. During the quarter ended September 30, 2024, no options were exercised.

Off Balance Sheet Arrangements

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

Dividends

We pay a quarterly dividend of \$0.03 per share. Shareholders of record as of the end of each quarter receive their quarterly dividend payments on approximately the 15th day of the following month.

Transactions between Related Parties

The Company enters into certain transactions with private companies controlled by key management of SSC. These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party expenses totalled \$1.0 million for the year ended September 30, 2024 (\$1.1 million for the year ended September 30, 2023).

Material Accounting Estimates

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Material areas requiring the use of management estimates are further described below:

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Financial Instruments

Refer to Note 18 of the Financial Statements regarding financial instrument risk. Financial assets are initially measured at fair value. On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless SSC changes its business model for managing financial assets.

Derivatives embedded in contracts where the host is a financial asset are not separated and the hybrid financial instrument as a whole are assessed for classification and measurement. SSC has chosen not to use hedge accounting. Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. Subsequent to initial measurement, derivatives are measured at fair value and the changes in fair value are recognized immediately in net earnings.

Cash, accounts receivables, mortgages and loans receivable are measured at amortized cost. For the assets measured at amortized cost an expected credit allowance is estimated based on the estimated loss, the exposure and timing of cash received at a future date, and the probability of default. The expected credit loss is an estimate required under IFRS 9 and reduces the net value of the assets carried at amortized cost on the statement of financial position.

Legacy contract assets and other financial assets are financial assets classified as fair value through profit or loss and recorded at fair value on the statement of net loss and comprehensive loss in unrealized market value adjustments loss. Realized gains and losses that result from legacy operations are recognized in profit or loss.

Accounts payable and accrued liabilities, revolving credit, and long-term debt are classified as other liabilities, and these are measured at amortized cost using the effective interest method.

Legacy contract assets

Legacy contract assets were agreements for which settlements were called for in tonnes of crop, the amount of which was determined based on terms in the crop purchase agreements which were capitalized on a contract-by-contract basis and were recorded at fair value. All active marketing and capital streaming contracts have now been settled, and the remaining balance relates to legacy contract assets.

As at September 30, 2024, the value of these assets on our balance sheet was \$4.8 million (September 30, 2023 - \$5.8 million).

Mortgages and loans receivable

Mortgages and loans receivable include mortgages and other loans that contain fixed and determinable payments. SSC's business model is to hold the mortgages and loans receivable to collect principal and interest payments and these assets qualify for the solely payments of principal and interest model. Upon initial recognition, these are recognized at fair value. Subsequently these assets are carried at amortized cost less expected credit losses. Interest revenue is recorded on an accrual basis.

An impairment loss for mortgages and loans receivable are measured at amortized cost and is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings or loss. Interest on the impaired asset continues

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to be recognized through the unwinding of the discount. When a subsequent event causes the amount of a previous impairment loss to reverse or partially reverse, the decrease in impairment is reversed through net earnings or loss.

Deferred income taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable income is estimated based on known information at the end of each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability has been recognized as a part of the SRG and Logixx acquisitions in relation to temporary differences between the carrying amounts of assets recognized on our Condensed Interim Consolidated Statements of Financial Position and their respective tax bases.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. Impairment testing of goodwill and indefinite life intangible assets is done annually at the September 30 year end, or when there are indicators of impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the Cash Generating Unit (CGU). If the Company's estimates of the asset's or CGU's recoverable amount is less than its carrying amount, the Company reduces its carrying amount to the recoverable amount and recognizes the loss in net income immediately. An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss is limited to the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset is recognized in profit and loss.

Revenue Recognition

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.

Risk Factors

The operations of the Company are speculative due to the nature of its businesses which was historically in one line of business and has now changed to the security services business. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The risks described herein are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. As such, this discussion is not all-inclusive nor is it a guarantee that other factors will or will not affect the Company in the future.

A discussion of risks which outline conditions currently known to management which could have a material impact

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on the financial results of the Company can be found in the section entitled "Risk Factors" in the Company's Annual Information Form and are incorporated into this MD&A by reference. The Company's Annual Information Form is available on SEDAR+ at www.sedarplus.ca

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New Accounting Standard and Interpretations

Future amendments and interpretations

The International Accounting Standards Board ("IASB") issued a number of new and revised accounting standards which are effective for future periods. Standards required to be applied and that may have an impact for SSC are outlined below:

Proposed Standard	Description	Effective Date	Expected Impact
Amendments to IAS 1 - Classification of liabilities	The amendment provides clarification on the requirements on determining if a liability is current or non-current.	Fiscal years beginning on or after January 1, 2024, applied retrospectively.	The Company does not expect any significant impact on the consolidated financial statements but continues to do analysis.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements	This amendment adds disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	Fiscal years beginning on or after January 1, 2024.	The Company does not expect any significant impact on the consolidated financial statements but continues to do analysis.
Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback	This amendment addresses measurement requirements for sales and leaseback transactions.	Fiscal years beginning on or after January 1, 2024, applied retrospectively.	The Company does not expect any significant impact on the consolidated financial statements but continues to do analysis.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	This amendment provides guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	Fiscal years beginning on or after January 1, 2025.	The Company does not expect any significant impact on the consolidated financial statements but continues to do analysis.

We plan to adopt the above standards when they become effective. We are reviewing these standards to determine the potential impact, if any, on our financial statements.

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Outstanding Share Data

At September 30, 2024, there were 18,703,486 common voting shares outstanding (September 30, 2023 – 19,313,087).

The following table sets forth the issued and outstanding common voting shares and the common voting shares issuable on the conversion, exercise or exchange of securities into common voting shares.

Common shares	Shares Outstanding	Weighted Average (QTD)	Weighted Average (YTD)
Basic common shares	18,703,486	18,748,404	18,986,334
Issuable upon exercise of options ¹	399,998	399,998	400,307
Fully diluted common shares	19,103,484	19,148,402	19,386,641

Notes:

- (1) Stock option plan – the Company has a stock option plan and, pursuant to the stock option plan, a total of 399,998 stock options are outstanding. All of the outstanding stock options issued have been issued to officers, employees and consultants of the Company.

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Non-IFRS Measures

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

We use these non-IFRS measures for our own internal measurement purposes. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and these measures may be calculated differently by other companies. The presentation of these non-IFRS measures enables investors and analysts to understand the underlying operating and financial performance of the Company in the same way as it is evaluated by us. We will periodically assess these non-IFRS measures and the components thereof to ensure their continued use is beneficial to the evaluation of the underlying operating and financial performance of the Company.

ADJUSTED NET INCOME (LOSS), ADJUSTED NET INCOME (LOSS) PER SHARE, ADJUSTED EBITDA AND ADJUSTED EBITDA PER SHARE

Adjusted net income (loss) and adjusted net income (loss) per share are non-IFRS measures calculated by excluding the following from net income (loss) and earnings per share ("EPS"):

- Expected credit and impairment losses.
- Unrealized market value loss (gain).
- Realized market value loss (gain).
- Realization of legacy operations upfront payments.
- Non-recurring and other expenses; and
- Amortization of intangible assets associated with acquisitions.

Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS financial measures calculated by excluding the following from adjusted net income (loss) and adjusted net income (loss) per share:

- Amortization of capital assets.
- Income tax expense (recovery); and
- Interest expense.

Management's view is that Adjusted net income (loss), Adjusted net income (loss) per share, Adjusted EBITDA, and Adjusted EBITDA per share are useful metrics for investors and analysts to evaluate the pre-tax earnings of the Company without the effects of non-cash charges (such as amortization of capital and intangible assets, realization of legacy operations upfront payments, and interest expenses). While the loss/gain on market value adjustments of the Company will be a recurring item until the legacy operations mature, this loss/gain does not reflect the underlying operating performance of the Company, nor is it necessarily indicative of future operating results.

Furthermore, these calculations of Adjusted net income (loss), adjusted net income (loss) per share, Adjusted EBITDA and Adjusted EBITDA per share exclude all Legacy Business impacts on these metrics. They are the results of only the security business of the company. Any Legacy Business impacts fall outside our measurement of these metrics so that quarter to quarter and year to year comparisons now and into the future are relevant.

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Reconciliation of Adjusted net income and Adjusted EBITDA	Quarter ended September 30		Year ended September 30	
	2024	2023	2024	2023
Comprehensive Net (Loss) Income	(146)	(146)	596	87
Expected credit and impairment losses (recoveries)	7	7	27	(15)
Unrealized market value adjustments	73	(224)	(887)	(963)
Non-recurring and other expenses	117	825	501	1,154
Non-cash DSU expense (recovery)	7	(2)	15	73
Intangible amortization	383	414	1,531	1,505
Stock based compensation	36	141	209	269
Adjusted Net Income	477	1,015	1,992	2,110
Income tax expense (recovery)	134	(48)	508	57
Amortization of capital assets	583	544	2,315	1,978
Interest expense	47	41	192	151
Adjusted EBITDA	1,241	1,552	5,008	4,296
Per Share (Basic Fully Diluted)				
Comprehensive net (loss) income	(0.01) (0.01)	(0.01) (0.01)	0.03 0.03	0.00 0.00
Adjusted net income	0.03 0.02	0.05 0.05	0.10 0.10	0.11 0.11
Adjusted EBITDA	0.07 0.06	0.08 0.08	0.26 0.26	0.22 0.21

Note:

- (1) Non-recurring and other expenses are those deemed by management to be non-cash, non-recurring, relating to financing and/or acquisitions, security realization expenses, severance costs, share-based payments, or other, predominantly reported within general and administrative expenses.

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Outlook

We expect demand for security services to continue to grow and our national presence to assist in winning new contracts. Additional growth may come via acquisition, as we look to acquire other companies in the Canadian security industry. Additional acquisitions will help us reach our goals more quickly, but we will remain disciplined about achieving our metrics as we pursue new opportunities.

We see growing opportunities for the integration of security offerings, particularly where security guard services can be combined or supplemented with electronic monitoring using cameras and sensors. We will continue to look for opportunities to offer these integrated security offerings.

In our legacy business, most of our legacy assets are expected to convert to cash within the next year. Our objective is to make these resources available for the expansion of our security business. When taken together, our Cash and Near Cash position is over \$25.7 million.

We plan to continue to distribute capital to shareholders via the dividend, operate with minimal to no debt while maintaining solid liquidity, and focus on maximizing Adjusted EBITDA per share.

Cautionary Statement on Forward-looking Information

Certain information contained in this MD&A contains forward-looking statements concerning the future results, future performance, intentions, objectives, plans and expectations of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "estimates", "intends", "anticipates", "believes" or variations of such words and phrases (including negative and grammatical variations) or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements include known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and perception relating to historical trends, current conditions and expected future developments and other factors the Company believes are appropriate and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and the fact that the Company has a short operating history may result in the assumptions being less accurate. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the section entitled "Risk Factors" in this Management Discussion & Analysis (MD&A) document and/or the Annual Information Form (AIF) available on SEDAR at www.sedar.com.

Forward-looking statements are not guarantees of future performance. These forward-looking statements should not be relied upon as representing the views of the Company as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement and by the risk factors described under the Heading "Risk Factors" in this MD&A and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws.

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