



Condensed Interim Consolidated Financial Statements

**For the three months ended
December 31, 2022 and 2021**

(Unaudited)

**UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, SSC Security Services Corp. discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three months ended December 31, 2022 and 2021.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

(Unaudited)

	Note	As at December 31, 2022	As at September 30, 2022
ASSETS			
Current			
Cash		\$ 9,199,149	\$ 11,195,115
Accounts receivable	19	23,524,281	20,888,761
Contract assets	16	310,994	214,599
Inventories		252,257	349,282
Prepaid expenses		956,062	993,774
Other financial assets		443,160	533,140
Income tax recoverable		37,498	37,497
Mortgages and loans receivable	8	2,599,120	2,645,242
Assets held for sale	6	800,000	800,000
		\$ 38,122,521	\$ 37,657,410
Non-current			
Legacy contract assets	7	\$ 7,092,836	\$ 8,013,701
Mortgages and loans receivable	8	1,477,281	1,859,280
Property and equipment	9	3,683,755	3,157,106
Deferred income tax assets		2,421,556	2,456,994
Intangible assets	10	20,359,314	20,715,955
Goodwill	10	13,808,218	13,808,218
		\$ 86,965,481	\$ 87,668,664
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 11,695,804	\$ 11,765,507
Income tax payable		161,041	382,906
Obligation under lease	12	807,084	541,064
Contract Liabilities	16	307,803	508,759
		\$ 12,971,732	\$ 13,198,236
Non-current			
Obligation under lease	12	\$ 1,036,327	\$ 798,605
Deferred income tax liability		2,960,599	3,027,289
		\$ 3,996,926	\$ 3,825,894
EQUITY			
Share capital	14	\$ 79,178,043	\$ 79,574,976
Contributed surplus		4,282,256	4,234,190
Deficit		(13,463,476)	(13,164,632)
		\$ 69,996,823	\$ 70,644,534
		\$ 86,965,481	\$ 87,668,664

ON BEHALF OF THE BOARD

"Douglas Emsley", Director

"David H. Laidley", FCPA,
Director

- The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements -

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Note	Three months ended December 31, 2022	Three months ended December 31, 2021
Revenue	16	28,023,595	5,885,129
Cost of sales		23,787,201	4,962,504
Gross profit		4,236,394	922,625
Corporate administration	17	4,464,293	1,806,278
Loss from operations		(227,899)	(883,653)
Financing			
Interest income		131,799	203,283
Interest expense		(34,534)	(11,081)
		97,265	192,202
Other income			
Gain (loss) from legacy business	19	417,316	(101,843)
Other income		128,775	132,949
		546,091	31,106
Net income (loss) before income tax		415,457	(660,345)
Income tax expense (recovery)	18	129,789	(182,761)
Net income (loss) and comprehensive income (loss)		\$ 285,668	\$ (477,584)
Basic income (loss) per share	15	\$ 0.01	\$ (0.02)
Fully diluted income (loss) per share	15	0.01	(0.02)

- The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements -

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Cash flow from (applied to)	Note	Three months ended December 31, 2022	Three months ended December 31, 2021
Operating activities			
Net (loss) income		\$ 285,668	\$ (477,584)
Adjustments			
Amortization of capital and intangible assets	17	812,196	229,464
Deferred share unit expense (recovery)	17	(129,755)	171,861
Share based payments	17	48,066	26,965
Income tax (recovery) expense	18	129,789	(182,761)
Income tax paid		(382,901)	(3,582)
Interest revenue		(131,799)	(203,264)
Interest received		223,362	275,394
Cost of sales - legacy operations		-	6,640
(Gain) loss from legacy business	19	(417,316)	101,843
Other income		(8,477)	(86,829)
Changes in non-cash working capital items	20	(2,798,585)	(25,965)
Cash applied to operating activities		\$ (2,369,752)	\$ (167,818)
Investing activities			
Proceeds from legacy assets		1,435,000	2,544,492
Proceeds from repayment of mortgages and loans receivable		366,055	4,206,548
Purchase of property and equipment	9	(273,064)	(102,125)
Purchase of intangible assets	10	(29,113)	-
Cash received from investing activities		\$ 1,498,878	\$ 6,648,915
Financing activities			
Dividends paid		(588,550)	(608,649)
Interest expense		34,534	11,081
Interest paid		-	(38,073)
Principal lease payments	12	(174,143)	(24,855)
Net repayments on long-term debt	13	-	(2,065,000)
Purchase of common shares	14	(396,933)	(1,524,793)
Proceeds from shares issued	14	-	191,303
Cash applied to financing activities		\$ (1,125,092)	\$ (4,058,986)
(Decrease) increase in cash		(1,995,966)	2,422,111
Cash – beginning of the period		11,195,115	28,795,760
Cash - end of the period		\$ 9,199,149	\$ 31,217,871

- The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements -

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Note	Share Capital		Contributed Surplus		Deficit	Total
		Number	Amount	Share Options			
At September 30, 2021	14	20,288,285	\$ 81,554,182	\$ 4,127,230	\$ (9,814,664)	\$ 75,866,748	
Adjustment due to share consolidation		(13)	\$ -	\$ -	\$ -	-	
NCIB shares purchased for cancellation		(513,100)	(1,524,793)	-	-	\$ (1,524,793)	
Options exercised		79,766	197,853	(6,550)	-	191,303	
Share based payment – options		-	-	26,965	-	26,965	
Dividends		-	-	-	(595,648)	(595,648)	
Total comprehensive loss		-	-	-	(477,584)	(477,584)	
At December 31, 2021	14	19,854,938	\$ 80,227,242	\$ 4,147,645	\$ (10,887,896)	\$ 73,486,991	
NCIB shares purchased for cancellation		(236,600)	\$ (652,266)	\$ -	\$ -	\$ (652,266)	
Options exercised		-	-	-	-	-	
Share based payment – options		-	-	86,545	-	86,545	
Dividends		-	-	-	(1,772,940)	(1,772,940)	
Acquisition of subsidiary	5	-	-	-	-	-	
Total comprehensive loss		-	-	-	(503,796)	(503,796)	
At September 30, 2022	14	19,618,338	\$ 79,574,976	\$ 4,234,190	\$ (13,164,632)	\$ 70,644,534	
NCIB shares purchased for cancellation		(134,600)	(396,933)	-	-	(396,933)	
Options exercised		-	-	-	-	-	
Share based payment – options		-	-	48,066	-	48,066	
Dividends		-	-	-	(584,512)	(584,512)	
Total comprehensive income		-	-	-	285,668	285,668	
At December 31, 2022	14	19,483,738	\$ 79,178,043	\$ 4,282,256	\$ (13,463,476)	\$ 69,996,823	

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

1. Nature of operations

The predecessor corporation of SSC Security Services Corp. (the "Company" or "SSC") 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. The Company's common shares are publicly traded on the TSX Venture Exchange under the symbol "SECU" (OTCQX: SECUF). The Company provides physical and cyber security services across Canada.

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.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2023.

2. Basis of presentation

A. STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee ("IFRIC"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last audited annual financial statements as at and for the period ended September 30, 2022.

B. BASIS OF MEASUREMENT

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the following material items in the condensed interim consolidated statement of financial position:

- Financial instruments that are accounted for at fair value through profit and loss (Note 19).
- Share purchase options and deferred share units that are accounted for according to the share-based payments criteria.
- Assets held for sale are held at the lower of carrying value and fair value.

C. BASIS OF CONSOLIDATION

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries SRG Security Resource Group Inc. ("SRG") and Logixx Security Inc. ("Logixx"). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany transactions and balances have been eliminated. All companies have a reporting date of September 30th.

D. FUNCTIONAL AND PRESENTATIONAL CURRENCY

The condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest dollar with the exception of share and per share value.

E. USE OF ESTIMATES AND JUDGMENTS

The preparation of 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 those 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.

Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and notes:

- Fair value of financial instruments;
- Expected credit losses on financial assets;
- Estimates of future taxable income; and
- Impairment of non-financial assets.

Areas of judgement in applying accounting policies that have the most significant effect on the amount recognized in the condensed interim consolidated financial statements include:

- Classification and measurement of financial instruments including the business model applied;
- Recognition of deferred tax assets;
- Identification of the fair values of assets and liabilities acquired in a business combination;
- Assessing recoverable amounts of all significant financial and non-financial assets; and
- 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.

F. MEASUREMENT OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Fair values are determined using inputs, other than quoted prices in level 1, that are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities. In determining the inputs for calculating fair values, the Company looks for readily observable market inputs, primarily interest rates and forward prices based on the nature of the Company's derivative instruments.
- Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data. Asset under collection values are calculated using internal discounted cash flow models that rely on forward pricing provided by independent sources and long term basis assumptions. Assets that are impaired or in the process of security realization are dependent upon fair value assessments of underlying security, primarily land.

The Company regularly reviews significant inputs and valuation assumptions. If third party information is used to measure fair values, then the Company assesses the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied as at and for the year ended September 30, 2022, and are detailed in note 3 of the Company's audited consolidated financial statements.

4. Segment reporting

Segment reporting is prepared on the same basis that the Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker, manages the business, makes operating decisions and assesses performance. As at December 31, 2022, Management has determined that the Company operates in three segments: Security, Legacy Operations, and Corporate. The security segment provides security services to primarily commercial and public sector clients. Services include cyber security services, protective services as well as security system design, sales, installations, and monitoring and alarm response. Legacy operations relate to the previous canola streaming business. The corporate segment includes intersegment charges and corporate overhead costs. Since May 2019, SSC has not deployed capital into new agriculture streams and is servicing those clients until their contracts with the Company mature.

The Company provides security services for enterprise customers across Canada. Segment results include items directly attributable to a segment and inter-segment administration charges, reflected as corporate revenue. The Company accounts for intersegment sales as if they were to external customers.

Segment statements of income (loss) and comprehensive income (loss) for the three months ended December 31, 2022 are included below:

	For the three months ended December 31, 2022				
	Security	Legacy Operations	Corporate	Intersegment eliminations	Total
Revenue	\$ 28,004,070	\$ 28,193	\$ 1,036,381	\$ (1,045,049)	\$ 28,023,595
Cost of sales	23,772,608	23,261	-	(8,668)	23,787,201
Gross profit	\$ 4,231,462	\$ 4,932	\$ 1,036,381	\$ (1,036,381)	\$ 4,236,394
Corporate administration (Note 17)	4,326,140	89,300	936,316	(887,463)	4,464,293
Income (loss) from operations	\$ (94,678)	\$ (84,368)	\$ 100,065	\$ (148,918)	\$ (227,899)
Financing					
Interest income	\$ 23,618	\$ 108,181	\$ -	\$ -	\$ 131,799
Interest expense	(177,348)	-	(6,104)	148,918	(34,534)
	\$ (153,730)	\$ 108,181	\$ (6,104)	\$ 148,918	\$ 97,265
Other income (loss)					
Gain from legacy business	\$ -	\$ 417,316	\$ -	\$ -	\$ 417,316
Other income (loss)	(15,773)	91,985	52,563	-	128,775
	\$ (15,773)	\$ 509,301	\$ 52,563	\$ -	\$ 546,091
Net income (loss) before income tax	\$ (264,181)	\$ 533,114	\$ 146,524	\$ -	\$ 415,457

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

Segment statements of income (loss) and comprehensive income (loss) for the three months ended December 31, 2021 are included below:

	For the three months ended December 31, 2021					
	Security	Legacy Operations	Corporate	Intersegment eliminations	Total	
Revenue	\$ 5,767,648	\$ 117,481	\$ 770,684	\$ (770,684)	\$ 5,885,129	
Cost of sales	4,889,705	72,799	-	-	4,962,504	
Gross profit	\$ 877,943	\$ 44,682	\$ 770,684	\$ (770,684)	\$ 922,625	
Corporate administration (Note 17)	728,740	306,854	770,684	-	1,806,278	
Income (loss) from operations	\$ 149,203	\$ (262,172)	\$ -	\$ (770,684)	\$ (883,653)	
Financing						
Interest income	\$ 19	\$ 203,264		\$ -	\$ 203,283	
Interest expense	(3,939)	-	(7,142)	-	(11,081)	
	\$ (3,920)	\$ 203,264	\$ (7,142)	\$ -	\$ 192,202	
Other income						
Loss from legacy business	\$ -	\$ (101,843)	\$ -	\$ -	\$ (101,843)	
Other income	-	86,829	46,120	-	132,949	
	\$ -	\$ (15,014)	\$ 46,120	\$ -	\$ 31,106	
Net income (loss) before income tax	\$ 145,283	\$ (73,922)	\$ 38,978	\$ (770,684)	\$ (660,345)	

Segment information as at September 30, 2022 and December 31, 2022 are as follows:

	Security	Legacy Operations	Corporate	Intersegment eliminations	Total	
Segment assets:						
As at December 31, 2022	\$ 65,717,832	\$ 12,491,581	\$ 64,348,761	\$ (55,592,693)	\$ 86,965,481	
As at September 30, 2022	\$ 64,158,859	\$ 13,930,548	\$ 63,869,670	\$ (54,290,413)	\$ 87,668,664	
Segment liabilities:						
As at December 31, 2022	\$ 33,757,061	\$ (34,960)	\$ 3,569,414	\$ (20,322,857)	\$ 16,968,658	
As at September 30, 2022	\$ 31,976,111	\$ (540)	\$ 4,069,136	\$ (19,020,577)	\$ 17,024,130	

The Company does not have revenues from any customers that represents a greater than 10% share of consolidated revenue.

5. Business Acquisition

A. ACQUISITION OF LOGIXX SECURITY INC.

On June 1, 2022, the Company acquired all the outstanding shares of Logixx Security Inc. and repaid shareholder debt for aggregate cash consideration of \$23,919,647. There were no finders' fees payable in connection with this transaction. Acquisition costs in the amount of \$273,122 were incurred on this transaction and expensed. This includes professional fees incurred towards financial, tax and legal due diligence.

Logixx is a Toronto, Ontario-based provider of physical protective security services as well as security system design, sales, installations, monitoring and alarm response.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Logixx at the date of acquisition and a purchase price allocation.

The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the Logixx acquisition:

	June 1, 2022
Cash	\$ 2,773,151
Accounts receivable	13,823,922
Inventories	240,340
Contract assets	119,593
Prepaid expenses	62,942
Right-of-use asset (Note 9)	765,383
Property and equipment (Note 9)	851,855
Capitalized commissions	-
Software (Note 10)	57,472
Tradename (Note 10)	3,800,000
Customer relationships (Note 10)	7,626,000
Goodwill (Note 10)	4,391,897
Total assets	\$ 34,512,555

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

Accounts payable and accrued liabilities	\$	7,397,325
Obligations under lease		765,383
Contract liabilities		312,840
Deferred tax liability (Note 18)		2,117,360
Total liabilities	\$	10,592,908
Net assets acquired	\$	23,919,647
Total consideration		
Cash	\$	23,919,647
	\$	23,919,647

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets Acquired	Valuation technique
Customer relationships	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Tradename	Relief-from-royalty method: The relief-from-royalty method is based on the premise that the fair value of the tradename is equal to the net present value of the future expected foregone royalties paid due to ownership of the tradename.

As of December 31, 2022, the purchase price allocation is still being finalized and is subject to change.

B. ACQUISITION OF SRG SECURITY RESOURCE GROUP INC.

On February 1, 2021, the Company acquired all the outstanding shares of SRG pursuant to a share purchase agreement between the Company and the individual and entity shareholders ("Sellers") of SRG, for an aggregate purchase price of \$19,358,128, \$12,262,243 paid in cash and the issuance of 2,961,310 common shares in the capital of the Company to the Sellers. Such shares had a fair value of \$7,095,885 as at the date of acquisition. There were no finders' fees payable in connection with this transaction. Acquisition costs in the amount of \$287,368 were incurred on this transaction and expensed. This includes professional fees incurred towards financial, tax and legal due diligence.

SRG is a Regina, Saskatchewan-based provider of cyber security and physical protective security services that provides solutions and services to commercial, industrial and public sector clients across Canada.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of SRG at the date of acquisition and a purchase price allocation.

The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the SRG acquisition:

	February 1, 2021
Cash and cash equivalents	\$ 1,021,056
Accounts receivable	2,139,011
Prepaid expenses	108,637
Inventory	72,352
Right-of-use asset (Note 9)	308,630
Property and equipment (Note 9)	582,366
Tradename (Note 10)	2,310,000
Customer relationships (Note 10)	6,900,000
Goodwill (Note 10)	9,416,321
Total assets	\$ 22,858,373
Accounts payable and accrued liabilities	\$ 1,042,589
Lease liability	308,630
Deferred tax liability	2,149,026
Total liabilities	\$ 3,500,245
Net assets acquired	\$ 19,358,128
Total consideration	
Cash	\$ 12,262,243
Issuance of common shares	7,095,885
	\$ 19,358,128

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets Acquired	Valuation technique
Customer relationships	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Tradenname	Relief-from-royalty method: The relief-from-royalty method is based on the premise that the fair value of the tradenname is equal to the net present value of the future expected foregone royalties paid due to ownership of the tradenname.

6. Assets held for sale

Assets held for sale result from the Company taking ownership of land and associated fixtures as a result of enforcing security on contracts or as a result of contract buy backs. These assets are expected to be sold in the near term. A continuity schedule of the assets held for sale is presented below:

At September 30, 2021	\$	3,669,893
Sale of assets held for sale		(2,363,730)
At December 31, 2021	\$	1,306,163
Sale of assets held for sale		(506,163)
At September 30, 2022	\$	800,000
Sale of assets held for sale		-
At December 31, 2022	\$	800,000

	Three months ended December 31, 2022	Three months ended December 31, 2021
Assets held for sale		
Proceeds received on sale of assets held for sale	\$ -	\$ 2,454,685
Carrying value of assets held for sale	-	2,363,730
Gain realized on sale of assets	-	90,955

7. 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 under collection. A continuity schedule of legacy contract assets is presented below:

	December 31, 2022	September 30, 2022
Legacy contract assets:		
Opening balance - date	October 1, 2022	October 1, 2021
Opening balance	\$ 8,013,701	\$ 10,470,151
Crop payments	-	6,640
Realization of crop interests	(130,699)	(11,545)
Settlements on contracts that are in the process of restructuring and or security realization	(920,865)	(2,225,753)
Buy back of crop contracts	130,699	(230,076)
Market value adjustment	-	4,284
	\$ 7,092,836	\$ 8,013,701
Current	\$ -	\$ -
Non-current	7,092,836	8,013,701
	\$ 7,092,836	\$ 8,013,701

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

8. Mortgages and loans receivable

Mortgages and loans receivable consist of conventional first mortgages and loans secured by land and equipment. A continuity schedule of the mortgages and loans receivable is presented below:

	December 31, 2022	September 30, 2022
Mortgages and loans receivable		
Current	\$ 2,599,120	\$ 2,645,242
Non-current	1,477,281	1,859,280
	\$ 4,076,401	\$ 4,504,522

Interest income on mortgages and loans receivable for the three months ended December 31, 2022 was \$96,883 (three months ended December 31, 2021 - \$195,293).

Details regarding the expected mortgage credit losses are outlined below:

	Stage 1	Stage 2	Stage 3	Total
Mortgages and loans receivable - gross carrying value as at December 31, 2022	\$ -	\$ 2,298,783	\$ 2,431,379	\$ 4,730,162
Expected credit loss balance on mortgages and loans receivable as at September 30, 2022	-	-	(634,268)	(634,268)
Re-measurement	-	-	(19,493)	(19,493)
Write-downs	-	-	-	-
Transfers to assets held for sale	-	-	-	-
Expected credit loss balance on mortgages and loans receivable as at December 31, 2022	-	-	(653,761)	(653,761)
Mortgages and loans receivable - net carrying value as at December 31, 2022	-	2,298,783	1,777,618	4,076,401

	Stage 1	Stage 2	Stage 3	Total
Mortgages and loans receivable - gross carrying value as at September 30, 2022	\$ -	\$ 2,315,069	\$ 2,823,721	\$ 5,138,790
Expected credit loss balance on mortgages and loans receivable as at September 30, 2021	-	-	(556,922)	(556,922)
Re-measurement	-	-	(77,346)	(77,346)
Write-downs	-	-	-	-
Transfers to assets held for sale	-	-	-	-
Expected credit loss balance on mortgages and loans receivable for the year ended September 30, 2022	-	-	(634,268)	(634,268)
Mortgages and loans receivable - net carrying value as at September 30, 2022	-	2,315,069	2,189,453	4,504,522

Mortgages and loans receivable principal and interest past due are as follows:

	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
As at December 31, 2022	\$ -	\$ -	\$ -	\$ 430,055	\$ 430,055

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

9. Property and equipment

The Company's property and equipment are comprised of the following:

	December 31, 2022		
	Cost	Accumulated Amortization	Carrying Amount
Furniture and fixtures	59,070	19,551	\$ 39,519
Computer equipment	379,455	252,211	127,244
Managed security services equipment	679,369	238,642	440,727
Vehicles	248,895	146,835	102,060
Leasehold improvements	131,154	64,204	66,950
Uniforms	1,533,364	412,451	1,120,913
Property and equipment	3,031,307	1,133,894	\$ 1,897,413
Right-of-use asset	2,672,378	886,036	1,786,342
Total	\$ 5,703,685	\$ 2,019,930	\$ 3,683,755

	September 30, 2022		
	Cost	Accumulated Amortization	Carrying Amount
Furniture and fixtures	\$ 59,070	\$ 17,470	\$ 41,600
Computer equipment	314,599	241,007	73,592
Managed security services equipment	679,369	207,996	471,373
Vehicles	248,895	128,824	120,071
Leasehold improvements	131,154	56,721	74,433
Uniforms	1,325,157	243,193	1,081,964
Property and equipment	\$ 2,758,244	\$ 895,211	\$ 1,863,033
Right-of-use asset	1,982,219	688,146	1,294,073
Total	\$ 4,740,463	\$ 1,583,357	\$ 3,157,106

The following table summarizes the changes in the net carrying amounts of property and equipment during the three months ended December 31, 2022:

	September 30, 2022			December 31, 2022	
	Net carrying Amount	Net additions	Depreciation		Net carrying amount
Furniture and fixtures	41,600	-	2,081	\$	39,519
Computer equipment	73,592	64,857	11,205		127,244
Managed security services equipment	471,373	-	30,646		440,727
Vehicles	120,071	-	18,011		102,060
Leasehold improvements	74,433	-	7,483		66,950
Uniforms	1,081,964	208,207	169,258		1,120,913
Property and equipment	1,863,033	273,064	238,684	\$	1,897,413
Right-of-use asset	1,294,073	679,046	186,777		1,786,342
Total	3,157,106	952,110	425,461	\$	3,683,755

Depreciation expense relating to property and equipment included in the condensed statement of income (loss) and comprehensive income (loss) is \$238,684 for the three months ended December 31, 2022 (\$68,220 for the three months ended December 31, 2021).

The Company currently has two categories of right-of-use assets relating to vehicles and property leases. At December 31, 2022, the carrying amount of vehicles under lease was \$949,482 (September 30, 2022: \$930,012), with \$122,454 of depreciation included in the condensed statement of income (loss) for the three months ended December 31, 2022 (December 31, 2021: \$nil).

At December 31, 2022, the property leases relating to office space had a carrying amount of \$836,856 (September 30, 2022: \$386,844), with \$75,437 of depreciation included in the condensed statement of income (loss) for the three months ended December 31, 2022 (December 31, 2021: \$22,373).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

10. Goodwill and intangible assets

RECONCILIATION OF CARRYING AMOUNT

	Software	Customer relationships	Tradename	Total intangible assets	Goodwill
Cost					
Balance at September 30, 2021	\$ -	\$ 8,266,442	\$ 2,310,000	\$ 10,576,442	\$ 9,416,321
Acquisitions	-	-	-	-	-
Acquired through business combination (Note 5)	57,472	7,626,000	3,800,000	11,483,472	4,391,897
Retirements, disposals, and adjustments	-	-	-	-	-
Balance at September 30, 2022	\$ 57,472	\$ 15,892,442	\$ 6,110,000	\$ 22,059,914	\$ 13,808,218
Balance at September 30, 2022	\$ 57,472	\$ 15,892,442	\$ 6,110,000	\$ 22,059,914	\$ 13,808,218
Acquisitions	29,113	-	-	29,113	-
Retirements, disposals, and adjustments	-	-	-	-	-
Balance at December 31, 2022	\$ 86,585	\$ 15,892,442	\$ 6,110,000	\$ 22,089,027	\$ 13,808,218
Accumulated amortization					
Balance at September 30, 2021	\$ -	\$ 318,556	\$ -	\$ 318,556	\$ -
Amortization	7,184	1,018,219	-	1,025,403	-
Retirements, disposals, and adjustments	-	-	-	-	-
Balance at September 30, 2022	\$ 7,184	\$ 1,336,775	\$ -	\$ 1,343,959	\$ -
Balance at September 30, 2022	\$ 7,184	\$ 1,336,775	\$ -	\$ 1,343,959	\$ -
Amortization	4,373	382,362	-	386,735	-
Retirements, disposals, and adjustments	(981)	-	-	(981)	-
Balance at December 31, 2022	\$ 10,576	\$ 1,719,137	\$ -	\$ 1,729,713	\$ -
Carrying amounts					
At December 31, 2022	\$ 76,009	\$ 14,173,305	\$ 6,110,000	\$ 20,359,314	\$ 13,808,218
At September 30, 2022	\$ 50,288	\$ 14,555,667	\$ 6,110,000	\$ 20,715,955	\$ 13,808,218

The amortization of customer relationships is included in corporate administration expense on the condensed interim consolidated statements of income (loss) and comprehensive income (loss). The useful lives over which these intangible assets are amortized are stated in Note 3 - Significant Accounting Policies.

11. Accounts payable and accrued liabilities

	December 31, 2022	September 30, 2022
Current liabilities:		
Accounts payable	\$ 2,444,983	\$ 1,811,073
Payroll tax and other statutory liabilities	2,846,979	3,371,318
Dividends payable	584,512	588,550
Deferred share units payable	1,644,195	1,773,951
Commission accrual	26,671	38,785
Vacation payable	1,575,657	1,840,303
Bonus accrual	457,889	564,986
Other payables	2,114,918	1,776,541
	\$ 11,695,804	\$ 11,765,507

Account payable and accrued liabilities are unsecured and are usually paid within 30 days of recognition. The carrying amount of accounts payable and accrued liabilities are considered to be the same as their fair values, due to their short-term nature.

12. Obligations under lease

The 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 liability	Property lease liability	Total lease liability
Balance at September 30, 2022	\$ 941,769	\$ 397,900	\$ 1,339,669
Additions	149,393	528,492	677,885
Principal payments on lease liabilities	(121,789)	(52,354)	(174,143)
Balance at December 31, 2022	\$ 969,373	\$ 874,038	\$ 1,843,411
Current portion	449,033	358,051	807,084
Long-term portion	520,340	515,987	1,036,327
Total balance at December 31, 2022	\$ 969,373	\$ 874,038	\$ 1,843,411

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

During the three months ended December 31, 2022, the Company paid interest on vehicle leases in the amount of \$23,934 (December 31, 2021 - \$nil), and \$10,631 on property leases (December 31, 2021 - \$3,939).

13. Debt facilities

The Company previously had up to \$10 million in five year term debt available from Wyth Financial (formerly Concentra Bank). The term debt had a fixed interest rate of 4.33% and interest was payable semi-annually. The debt was secured by mortgages underlying mortgage streams with SSC clients, and had no principal repayment obligations except when a mortgage was repaid. On February 16, 2022, this term debt was fully repaid. A continuity schedule of the Company's term debt with Wyth Financial is presented below:

At September 30, 2021	\$	2,539,667
Repayments		(2,065,000)
At December 31, 2021		474,667
Repayments		(474,667)
At September 30, 2022 and December 31, 2022	\$	-

Interest expense relating to the long-term debt for the three months ended December 31, 2022 was \$nil (three months ended December 31, 2021 - \$7,142). The fair value of the Wyth Financial term debt as at December 31, 2022 is \$nil (as at December 31, 2021 - \$423,695).

On June 1, 2022, the Company entered into a credit facility agreement with the Canadian Imperial Bank of Commerce ("CIBC"). Under this agreement, the CIBC provided a revolving credit facility of up to \$5 million of which \$nil has been drawn as at December 31, 2022, along with a \$350,000 credit card facility. The revolving credit facility is repayable on demand, and bears interest at a rate equal to 1.0% per annum over the bank prime rate. This facility is secured by the Company's accounts receivable, inventory, equipment and machinery.

As a part of the acquisition of Logixx (see Note 5), the Company entered into a \$200,000 letter of credit with CIBC.

14. Share capital, contributed surplus, share-based payment arrangements, and retained earnings

A. SHARES AUTHORIZED

The Company's authorized share capital consists of an unlimited number of Class "A" common voting shares ("common shares") without par value.

B. SHARES CONSOLIDATION

On October 1, 2021, the Company consolidated its shares on the basis of one post-consolidation common share for three pre-consolidation common shares. Per share and option information has been restated to give effect to this consolidation.

C. SHARES ISSUED AND PURCHASED

	Number of Shares	Share Capital
Common shares - September 30, 2021	20,288,285	\$ 81,554,182
Adjustment due to share consolidation	(13)	
Shares purchased for cancellation under the normal course issuer bid	(513,100)	(1,524,793)
Options exercised	79,766	197,853
Common shares - December 31, 2021	19,854,938	\$ 80,227,242
Shares purchased for cancellation under the normal course issuer bid	(236,600)	(652,266)
Options exercised	-	-
Common shares - September 30, 2022	19,618,338	79,574,976
Shares purchased for cancellation under the normal course issuer bid	(134,600)	(396,933)
Options exercised	-	-
Common shares - December 31, 2022	19,483,738	79,178,043

The Company has a normal course issuer bid for the repurchase of approximately ten percent of the company's public float in a given year. The normal course issuer bid was renewed on January 4, 2023 and will be active until the earlier of January 3, 2024 and the date by which SSC has acquired the maximum shares which may be purchased.

During the three months ended December 31, 2022, the Company bought back 134,600 shares under its normal course issuer bid at an average price of \$2.83 per share (three months ended December 31, 2021 - 513,100 shares at an average price of \$2.97). During the three months ended December 31, 2022, the Company cancelled 134,600 shares (three months ended December 31, 2021 - 513,100).

D. SHARE PURCHASE OPTIONS

The Company has an incentive share purchase option plan (the "Option Plan") whereby the Company may grant share options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vest over a three year period. Each share option converts into one common share of the Company on exercise. Refer to Note 17 for share-based payment compensation.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

At December 31, 2022, the following options to purchase common shares were outstanding:

Options outstanding						
Option series	Average remaining life (in years)	Vested	Unvested	Exercised	Expired or cancelled	Total
Series 1	0.00	214,300	-	-	214,300	-
Series 2	0.00	593,667	-	-	593,667	-
Series 3	0.97	313,833	-	98,055	143,647	72,131
Series 4	3.14	89,141	54,191	-	-	143,332
Series 5	3.17	4,079	2,587	-	-	6,666
Series 6	4.68	48,174	201,826	-	-	250,000
Weighted average	3.49	1,263,194	258,604	98,055	951,614	472,129

Option series	Expiry date	Exercise price	Fair value at date of grant
(1) granted on December 15, 2016	December 15, 2021	\$ 6.00	\$ 6.00
(2) granted on December 15, 2017	December 15, 2022	\$ 4.62	\$ 4.62
(3) granted on December 21, 2018	December 21, 2023	\$ 2.40	\$ 2.40
(4) granted on February 18, 2021	February 18, 2026	\$ 2.85	\$ 2.85
(5) granted on March 1, 2021	March 1, 2026	\$ 2.82	\$ 2.82
(6) granted on June 3, 2022	June 3, 2027	\$ 2.44	\$ 2.44

The fair value of the stock options is estimated at the grant date based on the Black-Scholes pricing model using the assumptions below. The assumptions below are for options issued since September 30, 2021 and are based on management's best estimates at the time of issuance.

	Option Series
	Series 6
Inputs into the model	
Grant date share price	\$ 2.44
Exercise price	\$ 2.44
Average vesting period from grant date	3.00 years
Volatility	60.74%
Expected life	5.00 years
Dividend yield	4.00%
Risk free interest rate	2.94%

Volatility above is calculated based on the daily historical share price volatility over the expected life of the option.

A continuity schedule of the total number of options is presented below:

Options outstanding at September 30, 2021 (weighted average exercise price of \$4.26)	974,967
Exercised	(79,766)
Options outstanding at December 31, 2021 (weighted average exercise price of \$4.43)	895,201
Issued	250,000
Expired or cancelled	(221,407)
Options outstanding at September 30, 2022 (weighted average exercise price of \$3.57)	923,794
Expired or cancelled	(451,665)
Options outstanding at December 31, 2022 (weighted average exercise price of \$2.56)	472,129

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

E. DIVIDENDS

The Company declared the following dividends since October 1, 2021 to the shareholders of record on the following dates.

Record date	Dividend per share	Shares outstanding	Total Dividend
December 31, 2021	\$ 0.03	19,854,938	\$ 595,648
March 31, 2022	\$ 0.03	19,781,338	\$ 593,440
June 30, 2022	\$ 0.03	19,698,338	\$ 590,950
September 30, 2022	\$ 0.03	19,618,338	\$ 588,550
December 31, 2022	\$ 0.03	19,483,738	\$ 584,512

F. CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

The Company has a Deferred Share Unit Plan (the "DSU Plan") whereby the Company grants deferred share units ("DSUs") to eligible directors. Each eligible director is given the opportunity to elect, in lieu of cash, to receive all, or a portion of, their annual board retainer or board meeting fees in the form of DSUs. The DSUs are cash-settled payment transactions and are valued at the fair value of the rights based on the closing stock price at the end of the reporting period. At December 31, 2022 there were 597,889 DSUs granted and outstanding (December 31, 2021 - 495,269). Included in accounts payable and accrued liabilities at December 31, 2022 is \$1,644,195 (September 30, 2022 - \$1,773,950) relating to the valuation of the DSUs. Included in Board and executive expenses under corporate administration expense for the three months ended December 31, 2022 is a recovery of \$129,755 (three months ended December 31, 2021 - expense of \$171,861). During the three months ended December 31, 2022 and December 31, 2021, \$nil was paid out for DSUs being cash-settled.

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"). On October 27, 2022, the Company granted 355,000 SARs to certain employees and executive officers that entitle them to a cash payment equal to the share price appreciation from \$2.84 per share over 5 years. 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 at December 31, 2022, any expense or liability balance relating to the SAR Plan has been deemed nominal.

15. Basic and diluted weighted average number of common shares

Diluted weighted average number of common shares is based on the following:

	Three months ended December 31, 2022	Three months ended December 31, 2021
Basic weighted average number of shares	19,580,158	20,186,212
Dilutive securities:		
Share options	845,243	N/A

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding. Due to the net loss in the three months ended December 31, 2021, share options were anti-dilutive.

16. Revenue

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. The table below provides a disaggregation of the Company's overall revenues for the three months ended December 31, 2022 and 2021:

	Three months ended December 31, 2022	Three months ended December 31, 2021
Security services		
Physical protective security services	\$ 26,530,002	\$ 4,469,136
Cyber security services	1,474,069	1,303,436
	\$ 28,004,071	\$ 5,772,572
Legacy operations	\$ 28,193	\$ 117,481
Corporate and intersegment eliminations	(8,669)	(4,924)
	\$ 28,023,595	\$ 5,885,129

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

The following table provides information about contract assets and contract liabilities from contracts with customers:

	December 31, 2022	September 30, 2022
Contract assets	\$ 310,994	\$ 214,599
Contract liabilities	\$ 307,803	\$ 508,759

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. 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.

The contract liabilities primarily relate to customer payments prior to satisfying contracted obligations and recognizing revenue.

17. Corporate administration

	Three months ended December 31, 2022	Three months ended December 31, 2021
Amortization of capital and intangible assets	\$ 812,196	\$ 229,464
Contracted services	182,131	169,475
Director compensation - DSU's (Note 21)	(129,755)	171,861
Office	1,214,108	305,760
Bad debt (Note 19)	7,762	1,218
Other administration	209,481	145,669
Professional fees	258,965	143,660
Salaries, wages and benefits	1,861,340	612,206
Share option based compensation	48,066	26,965
Total expense	\$ 4,464,293	\$ 1,806,278

18. Income taxes

The income tax expense differs from the amounts that would result from applying the federal and provincial income tax rate to the net income (loss) before income taxes. These differences result from the following items:

	Three months ended December 31, 2022	Three months ended December 31, 2021
Net (loss) income before income tax	\$ 415,457	\$ (660,345)
Canadian federal and provincial tax rates	27.0%	27.0%
Income tax (recovery) expense based on the above rates	112,173	(178,293)
Increase due to the tax effect of:		
Non-deductible expenses	17,638	7,280
Other	(22)	(11,748)
Income tax (recovery) expense	\$ 129,789	\$ (182,761)

19. Financial instruments

CAPITAL RISK MANAGEMENT - The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the capital structure. The Company's capital consists of \$69,996,823 (December 31, 2021 - \$73,486,991) of equity attributable to common shareholders, comprised of share capital, contributed surplus, and accumulated deficit.

CREDIT RISK MANAGEMENT - The Company's financial assets subject to credit risk include cash, accounts receivable, mortgages and legacy contract assets. Management's view is that the carrying amounts of these assets represent the maximum credit exposure.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

The carrying amount of these assets is:

	December 31, 2022	September 30, 2022
Cash	\$ 9,199,149	\$ 11,195,115
Accounts receivable	23,524,281	20,888,761
Legacy contract assets (Note 7)	7,092,836	8,013,701
Mortgages and loans receivable (Note 8)	4,076,401	4,504,522
	\$ 43,892,667	\$ 44,602,099

Management has implemented a number of policies and procedures to manage credit risk. These include: continuously monitoring counterparties' creditworthiness, assignments of collateral and security, and assignment of insurance. For the remaining legacy business contracts, management also monitors the industry environment to ensure that policies, activities and prices are appropriate and relevant.

The aging of trade and other receivables and allowance for doubtful accounts are as follows:

	December 31, 2022	September 30, 2022
Not past due	\$ 14,001,351	\$ 14,872,138
Past due 0-90 days	6,862,028	5,401,966
More than 90 days past due	3,488,967	1,434,960
Total trade and other receivables	24,352,346	21,709,064
Allowance for doubtful accounts	(828,065)	(820,303)
Total trade and other receivables net of allowance	\$ 23,524,281	\$ 20,888,761

LIQUIDITY RISK - The Company manages liquidity risk through ongoing management and forecasting of cash flows, budgeting, and equity financings. Cash flow forecasting is performed to monitor cash requirements and to manage capital management decisions. Such forecasting takes into account current customers, mortgage amortization schedules, contractual obligations and the Company's expectations. The term and payment dates of the Company's borrowings are generally matched with the timing at which it is expected to receive payments from customers. However, should the timing of payments differ from what is contracted, this does not change the requirement to repay loans from the bank, potentially affecting liquidity. It is due to these timing uncertainties that the Company maintains a high level of cash liquidity on an ongoing basis.

Legacy agreements contain obligations in that the Company agrees to purchases at a specified price at a future date. A summary of the payments due by period is summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Purchase obligations	\$ 377,267	\$ -	\$ -	\$ -	\$ 377,267

Financial liabilities and other contractual obligations at December 31, 2022, and their maturities are summarized below:

	Payment due by period				
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 11,695,804	\$ -	\$ -	\$ -	\$ 11,695,804
Lease principal and interest obligations	921,529	946,352	86,304	86,304	2,040,489
	\$ 12,617,333	\$ 946,352	\$ 86,304	\$ 86,304	\$ 13,736,293

INTEREST RATE RISK - The company has mortgages and loans receivable that are measured at amortized cost and contain a fixed interest rate. There is no variability in cash flow amounts or timing of cash flows with changes in interest rates, but, there are changes in the fair value of these financial assets.

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 three months ended December 31, 2022, approximately 9.1% 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. A significant change in the exchange rate would have a nominal effect on income or loss.

OTHER RISKS - The Company is not subject to other significant foreign currency, or other price risks.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

FAIR VALUE - The following sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by IFRS 9, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Classification	Level	December 31, 2022	September 30, 2022
Cash	Amortized cost	1	\$ 9,199,149	\$ 11,195,115
Accounts receivable	Amortized cost	2	23,524,281	20,888,761
Other financial assets	Fair value through profit or loss	2	443,160	533,140
Legacy contract assets	Fair value through profit or loss	3	7,092,836	8,013,701
Mortgages and loans receivable	Amortized cost	2	3,949,272	4,808,979
Accounts payable and accrued liabilities	Other financial liabilities	2	11,695,804	11,765,507

The following table represents expected credit recoveries (impairments) recognized in the statement of income (loss) and comprehensive income (loss).

	Three months ended December 31, 2022	Three months ended December 31, 2021
Accounts receivable - corporate administration	\$ 7,762	\$ 1,218
Mortgages and loans receivable - gain from legacy business	(6,839)	(6,839)

The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, accounts receivable, and accounts payable and accrued liabilities.

Certain liabilities and obligations of the Company are secured by property of the Company including an assignment of the rights of the Company under the legacy contracts and any collateral security granted in favour of the Company in connection with each contract.

The gain from legacy business is made up of the following components:

	Three months ended December 31, 2022	Three months ended December 31, 2021
Gain on sale of assets held for sale (Note 6)	\$ -	\$ 90,955
Net gains (losses) on legacy contract assets	424,155	(185,959)
Expected credit loss	(6,839)	(6,839)
Gain (loss) from legacy business	\$ 417,316	\$ (101,843)

20. Supplemental cash flow information

	Three months ended December 31, 2022	Three months ended December 31, 2021
Change in non-cash working capital items		
Accounts receivable	\$ (2,717,810)	\$ 79,856
Inventory	97,023	-
Contract assets	(47,316)	-
Prepaid expenses	37,711	(332,828)
Contract liabilities	(200,956)	56,940
Accounts payable and accrued liabilities	711,809	176,382
Right of use assets	(679,046)	(6,315)
Net decrease in cash	\$ (2,798,585)	\$ (25,965)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 - unaudited

21. Key management personnel compensation

Members of the key management team include the Board of Directors, the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer, and the Chief Operating Officer.

	Three months ended December 31, 2022	Three months ended December 31, 2021
Contractors, employee salaries and benefits	\$ 318,750	\$ 196,075
Deferred share unit (recovery) expense	(129,755)	171,861
Share based payments	26,254	26,965
Total key management compensation expense	\$ 215,249	\$ 394,901

22. Related party transactions

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 \$368,908 for the three months ended December 31, 2022 (\$262,186 for the three months ended December 31, 2021) and are included within the expense categories detailed in Note 17.

23. Commitments and contingencies

Lawsuits and claims that have arisen in the normal course of business are pending for and against the Company and provisions have been recorded where appropriate. It is the opinion of management that the final determination of these claims will not have a material adverse effect on the financial position or the results of the Company.

24. Comparative figures

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