SSC Security Services Corp.

FY2024 FIRST QUARTER ENDED DECEMBER 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

SRG Security Resource Group Inc.

LOGIXX SECURITY

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 unaudited condensed interim consolidated financial statements for the quarter ended December 31, 2023, including the notes thereto, the Annual Information Form ("AIF") for the fiscal year September 30, 2023, as well as the audited financial statements for the year ended September 30, 2023, including the notes thereto, and the associated MD&A. 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 February 12, 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 the largest 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.

Three months ended December 31, 2023

In the first quarter, we had a basic income per share of $0.00 compared with a basic income of $0.01 in the same quarter last year.

Adjusted EBITDA per share was $0.07 for the three months ended December 31, 2023, compared to $0.04 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 physical, cyber, 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 December 31, 2023, management, directors and employees owned about 36.9% of the Company's outstanding shares (39.1% on a fully-diluted basis), so we will very much participate in this success together with shareholders.

Selected Financial Information

The following selected financial information for the quarters ended December 31, 2023, and 2022 have been derived from the unaudited condensed interim 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:

Statements of Comprehensive Income	Quarter ended 31-Dec	
	2023	2022
Revenue	**30,882**	28,024
Comprehensive net income	**66**	286
Weighted average number of common shares outstanding		
Basic	**19,261**	19,580
Fully diluted	**19,663**	20,425
Comprehensive income per share (basic)	***$0.00***	*$0.01*
Comprehensive income per share (fully diluted)	***$0.00***	*$0.01*
Adjusted net income	**717**	291
Adjusted net income per share (basic)	**$0.04**	*$0.01*
Adjusted net income per share (fully diluted)	**$0.04**	*$0.01*
Adjusted EBITDA	**1,371**	879
Adjusted EBITDA per share (basic)	***$0.07***	*$0.04*
Adjusted EBITDA per share (fully diluted)	***$0.07***	*$0.04*
Statements of Cash Flows		
Cash applied to operating activities	**(3,953)**	(2,335)

Statements of Financial Position	As at 31-Dec-23	As at 31-Dec-22
Cash	**9,779**	9,199
Accounts receivable	**25,298**	23,524
Legacy contract assets	**5,817**	7,093
Assets held for sale	**800**	800
Mortgages and loans receivable	**1,090**	4,076
Total assets	**82,755**	86,965
Total liabilities	**15,872**	16,969
Total shareholders' equity	**66,882**	69,997
Common shares outstanding	**19,193**	19,484
Working capital	**27,808**	25,151
Long-term debt	**0**	0

RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2023 AND 2022

Revenues

Revenues for the quarter ended December 31, 2023 were $30.9 million compared with $28.0 million during the quarter ended December 31, 2022, an increase of $2.9 million (revenue increase of 10.2%). The increase in revenues was due primarily to internally generated organic growth.

Compared to the previous quarter (Q4 2023), revenue increased by $1.6 million or 5.4%.

Key Performance Indicators	Quarter ended 31-Dec	
	2023	2022
Revenue	**30,882**	28,024
Cost of Sales	**26,341**	23,787
Gross Margin	**4,541**	4,237
Gross Margin (%)	***14.7%***	*15.1%*
Comprehensive net income	**66**	286
Comprehensive net income per share (basic)	***$0.00***	*$0.01*
Adjusted EBITDA	**1,371**	879
Adjusted EBITDA per share (basic)	***$0.07***	*$0.04*

Gross Margin

Gross margin for the quarter ended December 31, 2023 increased to $4.5 million (14.7% of revenue) from $4.2 million (15.1% of revenue) during the same quarter last year. The gross margin percentage for each of the periods remains consistent with our long-term expectations for the security business.

In previous quarters, this figure had been higher as a result of contributions to gross margin from our legacy business whose effects were immaterial during this quarter.

Comprehensive Net Income (Loss)

Comprehensive net income for the quarter ended December 31, 2023 was $0.1 million (profit of $0.00 per share), compared to a comprehensive net income in the same quarter last year of $0.3 million (profit of $0.01 per share).

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 quarter ended December 31, 2023, was $1.4 million ($0.07 per share), as compared to $0.9 million ($0.04 per share) during the same quarter last year. The increase indicates an improvement in the performance of the acquired companies, having now fully integrated the most recent acquisitions.

Net Income and Adjusted EBITDA	Quarter ended 31-Dec	
	2023	2022
Net income	**66**	286
Adjusted EBITDA	**1,371**	879
Adjusted EBITDA per share	***$0.07***	*$0.04*

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

Financial Position

SSC has a very strong financial position. Total assets as at December 31, 2023 decreased by $4.2 million, or 4.8%, compared to total assets as of December 31, 2022. Our cash position at the end of the quarter ended December 31, 2023 was $9.8 million, up from $9.2 million at the end of the comparable quarter ended December 31, 2022.

In the current fiscal year, SSC continued payment of dividends and bought back shares via our Normal Course Issuer Bid ("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 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.

SSC continues to focus on reducing the Days Sales Outstanding (DSOs) across the company. This work continues and success adds significantly to the Company's cash position.

Summary of Quarterly Results

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

Summary of Quarterly Results	**FY24-Q1**	FY23-Q4	FY23-Q3	FY23-Q2	FY23-Q1	FY22-Q4	FY22-Q3	FY22-Q2
	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022
Net and comprehensive Income (Loss)								
Total revenue	**30,882**	29,291	26,512	25,218	28,019	26,506	11,807	5,499
Comprehensive net income (loss)	**66**	(146)	(12)	(40)	286	(939)	760	(285)
Weighted avg. number common shares outstanding								
Basic	**19,261**	19,396	19,687	19,480	19,580	19,682	19,781	19,807
Fully diluted	**19,663**	19,834	20,126	19,950	20,425	20,606	20,651	20,702
Comprehensive net income (loss) per share (basic)	**$0.00**	$(0.01)	$0.00	$(0.00)	$0.01	$(0.05)	$0.04	$(0.01)
Comprehensive net income (loss) per share (fully diluted)	**$0.00**	$(0.01)	$0.00	$(0.00)	$0.01	$(0.05)	$0.04	$(0.01)
Operating Cash Flow								
Cash (applied to) generated from operating activities	**(3,953)**	3,648	(1,730)	2,938	(2,370)	(2,993)	(1,372)	183

Financial Position								
Cash	**9,799**	14,843	12,648	12,781	9,199	11,195	15,314	31,838
Accounts receivable	**25,298**	21,835	21,499	20,540	23,524	20,889	16,683	3,393
Legacy contract assets	**5,817**	5,817	5,817	6,501	7,093	8,014	8,014	10,230
Assets held for sale	**800**	800	800	800	800	800	800	1,299
Mortgages and loans receivable	**1,090**	1,714	1,243	3,256	4,076	4,504	4,429	7,029
Total assets	**82,755**	84,776	82,522	84,959	86,965	87,669	87,229	77,835
Total liabilities	**15,872**	17,089	13,877	15,628	16,969	17,024	14,837	5,420
Total shareholders' equity	**66,882**	67,687	68,646	69,331	69,997	70,645	72,392	72,415
Common shares outstanding	**19,193**	19,313	19,412	19,454	19,484	19,682	19,698	19,781
Working capital	**27,808**	26,533	27,290	25,968	25,151	24,459	25,377	35,123
Long-term debt	**-**	-	-	-	-	-	-	-

Non-IFRS Measures & KPIs								
Adjusted net income (loss)	**717**	412	475	327	291	1,249	(187)	209
Adjusted net income (loss) per share	**$0.04**	$0.02	$0.02	$0.02	$0.01	$0.05	($0.02)	$0.00
Adjusted EBITDA	**1,371**	1,552	1,016	849	879	1,445	357	195
Adjusted EBITDA per share	**$0.07**	$0.08	$0.05	$0.04	$0.04	$0.07	$0.02	$0.01
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 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.

Revenue from security services was $30.9 million during the quarter ended December 31, 2023 compared to $28.0 million for the quarter ended December 31, 2022. Revenue from the legacy business was nil for the quarter ended December 31, 2023, compared to $0.02 million for the quarter ended December 31, 2022.

A summary of segment operating performance during the first quarter ended December 31, 2023 and 2022 is provided below:

Segment operating performance	Quarter ended Dec 31, 2023			Quarter ended Dec 31, 2022		
	Security Services	**Legacy Operations & Corporate**	**Total**	**Security Services**	**Legacy Operations & Corporate**	**Total**
Revenue	30,951	(69)	30,882	28,004	20	28,024
Cost of sales	26,410	(69)	26,341	23,773	14	23,787
Gross Profit	**4,541**	**0**	**4,541**	**4,231**	**6**	**4,237**
Gross Profit %	*14.7%*	*0.0%*	*14.7%*	*15.1%*	*30.0%*	*15.1%*
Corporate administration	4,354	296	4,650	4,326	138	4,464
Income (loss) from operations	**188**	**(296)**	**(108)**	**(95)**	**(132)**	**(227)**
Financing income (expense)	39	93	132	(154)	250	96
Other income (expense)	81	(2)	79	(16)	562	546
Net income (loss) before income tax	**308**	**(205)**	**103**	**(265)**	**680**	**415**

NORMAL COURSE ISSUER BID

During the quarter ended December 31, 2023, we bought back 128,100 shares at an average price of $2.59 per share.

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 December 31, 2023, we had $9.8 million in cash, or $0.51 per share, which is 18.5% of our market capitalization based on the closing share price of our shares of $2.74 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 $28.4 million, or $1.48 per share, which is 54% of our market capitalization as of December 31, 2023.

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 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 December 31, 2023, the deferred share units were valued at $2.74 per unit. The total number of vested deferred share units outstanding at December 31, 2023 was 685,395.

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 December 31, 2023, the total number of vested SARs was 160,981.

Purchase of Logixx Security Inc.

On March 30, 2022, the Company announced that it had entered into a definitive share purchase agreement ("Share Purchase Agreement") to acquire Logixx Security Inc. ("Logixx"), a Toronto-based provider of premium security protection for leading enterprise and commercial clients across Canada, from its corporate owner, Avante Logixx Inc. ("Avante") (TSXV: XX) (OTC: ALXXF).

The arrangement agreement (the "Arrangement") between SSC and Avante previously announced on February 9, 2022 was terminated by mutual agreement (the "Termination Agreement") of both parties in order to enter into the Share Purchase Agreement. In lieu of the expense reimbursement fee payable to SSC on termination of the Arrangement, the parties agreed to apply an amount equal to $750,000 (the "Arrangement Expense Reimbursement") to payment of the purchase price under the Share Purchase Agreement.

Pursuant to the terms of the Share Purchase Agreement, SSC agreed to acquire all of the issued and outstanding common shares of Logixx ("Logixx Shares") by way of a share purchase agreement ("Transaction"). Under the terms of the Transaction, SSC acquired all the outstanding shares and repaid shareholder debt for an aggregate cash consideration of $23.9 million. Avante and SSC provided representations, warranties and indemnities customary for a transaction of this nature, as well as customary interim period covenants regarding the operation of the Logixx businesses in the ordinary course. The parties also made customary non-competition and non-solicitation arrangements.

Copies of the Termination Agreement and the Share Purchase Agreement were filed with the securities regulators and available on the SEDAR+ profile of Avante at www.sedarplus.ca. Avante held a Special Meeting of its shareholders on May 30, 2022 to approve the transaction, and the transaction was approved. Closing took place on June 1, 2022.

The Company is now the largest publicly traded security company in Canada, debt-free, and has approximately 3,000 employees from coast to coast. As a result of the transaction, we approximately quadrupled our pro forma annual revenue and Adjusted EBITDA. The Transaction was funded with cash on hand and without any dilution to SSC shareholders.

We plan to maintain our quarterly dividend at the current level of $0.03 per Share (which equates to $0.12 annualized).

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.

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 December 31, 2023, management, directors and employees owned about 36.9% of the Company's outstanding shares (39.1% 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 December 31, 2023, the carrying value of these legacy assets was $7.7 million, down from $8.3 million at the end of the previous quarter.

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 December 31, 2023, we had net working capital of $27.8 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 in being kept on deposit with a Canadian chartered bank. Our Normal Course Issuer Bid (NCIB) reduces

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 and Uncertainties section of this MD&A.

Cash Flows

Cash inflows (outflows) by activity	Quarter ended Dec 31	
	2023	2022
Operating activities	**(3,953)**	(2,370)
Investing activities	**239**	1,499
Financing activities	**(1,350)**	(1,125)
Net cash outflows	**(5,064)**	(1,996)

Operating Activities

Cash used by Operating Activities rose to $4.0 million during the quarter ended December 31, 2023 as compared to cash used in Operating Activities of $2.4 million during the quarter ended December 31, 2022, due to an increase in Accounts Receivable during the period. A large portion of this can be attributed to timing as we have seen significant subsequent collections reducing our Accounts Receivable balances to expected levels.

Investing Activities

Cash received from investing activities was $0.2 million during the quarter ended December 31, 2023 compared to cash received of $1.5 million during the quarter ended December 31, 2022, due to larger legacy business impacts in the prior year.

Financing Activities

Cash used in financing activities was $1.4 million during the quarter ended December 31, 2023 compared to cash used of $1.1 million during the quarter ended December 31, 2022.

Financing activities for the current period primarily are a result of share buyback activity and the payment of our quarterly dividend.

Debt & Lease Obligations Outstanding

As of December 31, 2023, we had no outstanding long-term debt (no outstanding long-term debt as at December 31, 2022 as well).

As a result of the SRG acquisition, the Company acquired a five-and-a-half-year lease ending December 31, 2024. The Company's commitment remaining under the lease totals $0.3 million. During the last fiscal period, the Company entered into a 3-year lease ending May 31, 2026. The Company's commitment remaining under the lease totals $0.1 million.

As a result of the Logixx acquisition, the Company acquired vehicle and property leases. The Company continues to acquire vehicle leases as necessary. The Company's commitment remaining under these leases totals $1.4 million.

During the prior fiscal period, the Company entered an office space lease ending November 30, 2024. The Company's commitment remaining under the lease totals $0.3 million.

Issuance of Stock Options

As at December 31, 2023, 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 December 31, 2023, 37,799 options were exercised at an exercise price of $2.40 per share.

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 $0.2 million for the quarter ended December 31, 2023 ($0.4 million for the quarter ended December 31, 2022).

Significant 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.

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

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 December 31, 2023, the value of these assets on our balance sheet was $5.8 million (Dec 31, 2022 - $7.1 million).

Other financial assets (liabilities)

Other financial assets include delivery contracts with farmers connected to the mortgages held with SSC. These contracts are generally settled by delivery of tonnes of crop or in cash. At each reporting date, the fair value of each contract is calculated using current and future pricing provided by independent sources. Subsequent changes in fair value of these financial instruments are recognized in profit or loss.

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 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.

Business combinations

All business acquisitions are accounted for under IFRS 3, Business Combinations. Identifying the fair value of the assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

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 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

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 requirement 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 and IFRS 7 – Supplier Finance Arrangements	This amendment adds disclosure requirements, including qualitative and quantitative information regarding supplier finance arrangements.	Fiscal years beginning on or after January 1, 2024 applied prospectively.	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.

Outstanding Share Data

At December 31, 2023, there were 19,193,386 common voting shares outstanding (December 31, 2022 – 19,483,738).

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	Number
Outstanding	19,193,386
Issuable upon exercise of options[1]	399,998
Fully diluted common shares	**19,593,384**

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.

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.

Reconciliation of Adjusted net income, Adjusted net income per share, and Adjusted EBITDA per Share	Three months ended December 31	
CAD thousands, unless otherwise noted	**2023**	2022
Comprehensive income	**66**	286
Expected credit and impairment losses	**7**	7
Unrealized market value loss (gain)	**1**	(424)
Realized market value gain on buyouts	**0**	0
Non-recurring & other expenses[1]	**111**	122
Non-Cash DSU Expense (recovery)	**91**	(130)
Stock Based Compensation	**64**	48
Amortization of intangible assets associated with acquisitions	**377**	382
Adjusted net income	**717**	291
Adjusted net income per share	**$0.04**	$0.01
Amortization of capital assets	**570**	423
Income tax expense	**36**	130
Interest expense	**48**	35
Adjusted EBITDA	**1,371**	879
Adjusted EBITDA per share	**$0.07**	$0.04
Weighted average shares outstanding (basic)	**19,261**	19,580

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.

Outlook

We have successfully integrated Logixx into the operations of the Company. 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 $28.4 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.sedarplus.ca.

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.sedarplus.ca. 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.

CORPORATE INFORMATION

HEAD OFFICE
SSC Security Services Corp.
300 – 1914 Hamilton Street
Regina, Saskatchewan S4P 3N6
Canada
T: 1 (306) 347-3006
F: 1 (306) 352-4110
www.securityservicescorp.ca
email: info@securityservicescorp.ca

DIRECTORS
Doug Emsley, Chairman
David A. Brown, K.C.
Brad Farquhar
Lorne Hepworth
David H. Laidley, FCPA
Laurie Powers, CPA, CA, ICD.D

OFFICERS
Doug Emsley
Chairman, CEO & President

Blair Ross
Chief Operating Officer

Brett Leonard
Chief Financial Officer

REGISTRAR & TRANSFER AGENT
TSX Trust Company
Telus Sky Building
2110 – 685 Centre Street SW
Calgary, AB T2G 1S5
T: 1 (403) 265-0208
F: 1 (403) 265-0232

Client Services
T: 1 (866) 600-5869
E: tmxeinvestorservices@tmx.com

BANKER
CIBC
Regina, Saskatchewan

INDEPENDENT AUDITOR
MNP LLP
Regina, Saskatchewan

LEGAL COUNSEL
McKercher LLP
Regina, Saskatchewan

INVESTOR RELATIONS
Doug Emsley
T : 1 (306) 347-1024

Brett Leonard
T: 1 (306) 347-1242

investor@securityservicescorp.ca