



GATEKEEPER

GATEKEEPER SYSTEMS INC.

Management's Discussion and Analysis

For the Six Months Ended February 28, 2021



The accompanying notes are an integral part of these consolidated financial statements

**GATEKEEPER SYSTEMS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2021**

General

This Management's Discussion and Analysis ("MD&A") has been prepared as of April 27, 2021 and should be read in conjunction with the Company's February 28, 2021 unaudited condensed interim consolidated financial statements with accompanying notes ("F2021-Q2 Interim F/S") which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the consolidated financial statements of Gatekeeper Systems Inc. ("Gatekeeper", "GSI", or the "Company") for the year ended August 31, 2020 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures are expressed in Canadian dollars unless otherwise stated.

This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding developments in the Company's operations in future periods, adequacy of financial resources, and future plans and objectives of the Company. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on this forward-looking information.

These documents and additional information on the Company are available on the SEDAR website at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements about our activities, events and developments that we expect to, or anticipate may occur in the future including, for example, statements about our business outlook, assessment of market conditions, strategies, future plans and future sales. Forward-looking statements normally contain words like believe, expect, anticipate, plan, intend, continue, estimate, may, will, should and similar expressions. Such statements are not guarantees of future performance. They are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

We have based these statements on estimates and assumptions that we believed were reasonable when the statements were prepared. Our actual results could be substantially different because of the risks and uncertainties associated with our business. Important risks that could cause such differences include, but are not limited to, the length of sales cycles, rapid technological advancement, competition, the availability of critical inputs, foreign exchange rate occurrences and doing business in foreign countries. Additionally, differences could arise because of events that are announced or completed after the date of this report, including mergers, acquisitions, other business combinations and divestitures. Such risks, uncertainties and other factors include, among other things, those risks identified in the Company's Qualifying Transaction filed on SEDAR at www.sedar.com.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

Company History

Gatekeeper Systems Inc. (the “Company” or “Gatekeeper” or “we” or “our”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on August 26, 2010 and completed its initial public offering as a Capital Pool Company (“CPC”) on January 7, 2011. As a CPC, the Company’s only business had been to identify and evaluate businesses or assets with a view of completing a Qualifying Transaction.

On February 19, 2013, the Company completed the acquisition of all of the issued and outstanding shares of the private company, GSI Systems Inc., through a reverse takeover arrangement constituting its Qualifying Transaction under the applicable policies of the TSX Venture Exchange (“TSX-V”). On May 28, 2013, the Company changed its name to Gatekeeper Systems Inc. and its trading symbol on the TSX-V to “GSI”.

On March 1, 2018, the Company formed a wholly-owned subsidiary called Gatekeeper Systems USA Inc.

Effective August 31, 2018, Gatekeeper Systems Inc. and its wholly owned subsidiary, GSI Systems Inc., combined by amalgamating into a single company, to carry on business under the name Gatekeeper Systems Inc. The amalgamation had no financial impact on its consolidated financial statements as the two entities have historically been consolidated for reporting purposes. From August 31, 2018 onward, Gatekeeper Systems Inc. is the operating entity and is being consolidated with its remaining wholly owned subsidiaries: Gatekeeper Systems USA Inc. and Deep Development Corp. Deep Development Corp. has no current or historical business activity.

Gatekeeper engineers, manufactures, and distributes industry leading high-definition mobile video and data solutions for a range of markets including school districts, law enforcement, public transit authorities, as well as the US military and Coast Guard.

Business Overview

Gatekeeper engineers, manufactures and distributes industry leading high-definition mobile video and data solutions for a range of markets including school districts, law enforcement, public transit authorities, as well as the US military. Over the past seven years, Gatekeeper has equipped approximately 34,000 school buses, transit buses and trains with 100,000 video devices and intelligent mobile data collectors, which forms the foundation of the Company’s Platform-as-a-Service (“PaaS”) business model. The intelligent devices collect vehicle data such as video, audio, GPS, time, door open/close, and serve as the “black box” to aid in transit accident investigations. The PaaS units are WiFi enabled, mobile connected, or mobile enabled, allowing public transport assets to become part of the intelligent transportation solution in a Smart City ecosystem.

Gatekeeper offers mobile video solutions which integrate high-definition digital video (HDDV) with the Global Positioning System (GPS) for real-time vehicle location, time, date and telematics data, and provides a comprehensive 360-degree view inside and outside vehicles. Video evidence is recorded on a military standard digital recording system located inside the vehicle. High definition cameras operate in day or night conditions and are vital for collecting video evidence such as license plate details of vehicles illegally passing streetcars or school buses while passengers are loading or unloading. Gatekeeper’s wireless devices also provide real-time connectivity, streaming video, and vehicle tracking.

Gatekeeper offers video management and video analytics software which may be used as a mobile or desktop application for managing video evidence of incidents. Enterprise software can be used to stream live video from any vehicle, anywhere, anytime.

Gatekeeper’s Canadian head office is the primary production facility and is located in Abbotsford, British Columbia. Product research and development, design, and engineering take place at the Abbotsford head office. Products are sold to end-user customers through Gatekeeper’s direct sales staff, and also through a network of distributors and system integrators who have relationships with customers in multiple mobile markets. Gatekeeper is primarily focused on the North American market but has also pursued global distribution relationships outside of North America.

Gatekeeper operates a wholly owned subsidiary, Gatekeeper Systems USA Inc. (Delaware Corporation) operating in Bristol, PA that is its service center for transit customer South East Pennsylvania Transit Authority (SEPTA), and school customer The School District of Philadelphia. The Bristol facility employs a team of service technicians and operates a mobile fleet of service vehicles, to provide on-site installation, service and support. In addition, Gatekeeper products destined for USA customers are assembled in Bristol PA to comply with “Buy America” requirements and mitigate the impacts of US trade tariffs. Gatekeeper USA provides service solutions and has recently increased its service fleet vehicles to support growing business in the Philadelphia area. The US operation is a model that can be extrapolated to differentiate the Company and obtain greater market share.

School Segment

The Company's history has been anchored in the design and supply of video and data solutions for school buses that help protect school children while travelling to and from school. School Bus Fleet Magazine reports that approximately 480,000 school buses transport 22.6 million students daily in the United States alone. The Company has a full suite of video and data products designed to improve school bus safety, including:

Video Analytics Software - records time, location, audio, and video, enabling quick and easy assembly of video evidence needed to deal with school bus problems such as bullying, grazing, vaping, or verbal abuse.

Stop Arm Camera - records license plate information day or night, of vehicles that illegally pass a school bus when the stop arm is deployed. Gatekeeper's optional proprietary software also automates the ticketing process of stop-arm infractions.

360 Surround Vision Camera System - provides a surround view of the school bus and is automatically activated when the bus is reversing or making side turns. The surround view is displayed on a specialized rear-view mirror system allowing drivers to monitor school children all around the bus.

Interior Camera - records the video and audio activity on the bus interior using adjustable vandal-resistant cameras.

Tactical Ready Kit - is a portable unit that allows law enforcement personnel to obtain quick and easy display of the internal video and audio of a school bus in close proximity, even while in motion.

The Company has developed CLARITY an industry-first integrated video and school bus operating platform, which offers a solution to the logistics challenges created by the new era of hybrid schooling. CLARITY was developed in partnership with an established technology provider for school bus transportation who has developed software solutions for school bus scheduling and dispatch, school bus driver time and attendance, as well as driver communications. Their solutions have been embraced by a global leading transportation provider and under the partnership, Gatekeeper becomes their only video integration partner for the school bus market. CLARITY will also interface with Gatekeeper's on-board mobile data collectors and video devices on school buses to integrate additional data elements such as GPS location, passenger counting, and video analysis for social distancing. CLARITY provides school districts with the scheduling and on-bus video and data analysis tools they need to efficiently manage the logistics of their school bus operations.

On March 17, 2021, the U.S. Department of Education announced US\$122 billion from the American Rescue Plan to help schools reopen safely and get students back in the classroom. The Company believes this funding package presents opportunity for additional business relating to technology on school buses, and the Company is preparing accordingly.

In February 2021 the Company announced that its PaaS platform would be factory-installed on 40 new buses by one of the 10 largest school districts in the US. In July 2020, the Company announced that Broward County Public Schools, the 6th largest school district in the US and 2nd largest school district in Florida, would factory-install the PaaS platform on 44 new school buses being manufactured by IC Bus, who builds nearly 11,000 buses each year. The Company believes that having its PaaS factory-installed is an endorsement of the value that school district customers recognize in the Company's PaaS offering.

In February 2021, the Company announced a 5 year agreement with The School District of Philadelphia, the 8th largest school district in the US, to provide video services. It has been reported that this school district will receive US\$1.3 billion from the American Rescue Plan.

In January 2021, the Company announced a US\$2 million contract over a two-year period with Midwest Transit Equipment, to provide video and data solutions for buses. Midwest Transit Equipment is the largest bus dealer in the US and has over 400 employees selling and servicing new and used school, childcare, commercial, church, and hotel buses.

High back seats on school buses are becoming increasingly popular for safety reasons and are mandated in some states in the US. This limits the view angles for traditional video systems, preventing adequate video capture of the passengers. Gatekeeper's high-definition wide angle dome cameras are designed to overcome this challenge and offer complete coverage inside the bus. Several school districts are therefore upgrading their buses with new digital video recorders as well as interior and exterior cameras.

School districts are embracing video and data solutions on school buses to help provide a safer transportation environment for school children and Gatekeeper has installed more than 34,000 intelligent mobile data collectors and 100,000 video devices on school buses for more than 3,500 school district customers.

Transit Segment

In March 2018, the Company expanded its strategic focus to include the transit industry as a key growth initiative and acquired substantially all of the business assets of an existing mobile video surveillance service provider to the transit industry. The assets purchased included assignment of existing contracts to provide mobile video surveillance products, support, and maintenance to the Southeastern Pennsylvania Transportation Authority ("SEPTA"). SEPTA is the sixth largest public transportation system in the USA with an average weekday ridership of approximately 1.1 million and is actively using vehicle video surveillance to evaluate and defend claims, monitor system safety and security, and protect against fraud. SEPTA has an installed base of more than 27,000 video cameras on vehicles and in stations.

Gatekeeper USA provides annually recurring vehicle video system maintenance services for SEPTA's approximately 3,000 vehicles under a SEPTA contract announced October 17th, 2019 for approximately \$2.36M per year. SEPTA approved an initial three-year service term beginning in November 2019 for approximately \$7.1 million, plus two one-year extension options, for a total potential contract value of up to \$11.8 million over five years.

In November 2018, the Company announced it had been contracted to provide video solutions to be factory-installed for 335 diesel-electric hybrid transit buses manufactured by New Flyer of America. In June 2020, the Company also announced it had been contracted to supply approximately 70 video solutions to be factory-installed by a transit bus manufacturer. The Company believes that having its video solutions factory-installed is an endorsement of the value that transit customers recognize for the Company's offerings.

Gatekeeper offers digital video recorders (DVRs) and crash hardened memory modules (CHMMs) that record and protect operating evidence in rail transit applications. The DVRs and CHMMs have continuous-recording capabilities that can be used to verify crew actions and train operating conditions, which greatly aids accident investigations in the same way that black boxes are used in the airline industry. They are compliant with the recommendation made by the National Transportation Safety Board (NTSB), which calls upon the Federal Transit Administration to install crash-resistant inward and outward-facing cameras and continuous recorders in all rail transit vehicles. The related devices meet the EN 50155 international standard for electronic equipment used in railway applications. Additional product certifications, strategic partnering, and bundling is being explored to capture additional opportunities within the commuter rail market. In November 2020, the Company announced the completion of a \$6.3 million contract to design and supply DVRs and CHMMs for SEPTA.

The Company has been awarded several contracts from SEPTA and views SEPTA as a strategic reference customer to enable other business opportunities in the North American transit market. Revenues related to transit have been increasing, and the Company is optimistic about expansion opportunities in the transit market. The Company has expanded its Gatekeeper USA operations to include manufacturing and assembly of all video products delivered to customers in the United States for transit, education, first responder and military customers.

Passenger Health Check Initiative

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which severely disrupted all modes of global passenger travel including school buses and public transportation vehicles. The Company immediately began to research, design, and configure passenger health check and contact tracing solutions that could be deployed by school and transit authorities to provide a safer transportation environment for their passengers. Each weekday in the US alone, and approximately 25 million school students and 18 million transit passengers board buses at locations that are primarily not stations, meaning that health screening tools are needed at the bus boarding point.

On August 4, 2020, the Company launched Intelligent Temperature Sensing System (ITSS), an infrared body temperature sensor system that incorporates a smart panel, thermal imaging and artificial intelligence to quickly and accurately measure the body temperature of passengers who board school buses and public transportation vehicles. ITSS allows transit and school bus agencies to deploy health screening tools similar to those being put in place at airports. ITSS is a contactless system that can determine body temperature within 20 milliseconds using thermal cameras, artificial intelligence, and video analytics. Visual and audible alarms are triggered when temperature thresholds are exceeded. When passengers board a bus, the ITSS panel records body temperature with an accuracy of +/- 0.5 degree Celsius. The 7-inch ITSS panel is equipped with facial recognition capabilities to improve accuracy and allows customers or authorities to prepare future applications such as intelligent passenger routing, contact tracing, passenger counting, or payment verification. The panel records images within 40 milliseconds and has storage capacity of 50,000 facial images.

During November 2020, the Company commenced a national marketing campaign to raise awareness of how ITSS can help organizations with health monitoring and contact tracing. The marketing campaign has been designed to reach over 50,000 influencers and decision makers in school districts, universities, transit authorities and more.

The Company believes passenger health monitoring in public transportation is an emerging North American growth trend that will continue even after the COVID-19 pandemic subsides. The Company intends to integrate ITSS into its PaaS platform business model as a new additional data layer.

Artificial Intelligence and Video Analytics

The Company continually innovates and launches new products and feature enhancements to expand existing products capability and customer service offerings in order to broaden its market reach. The Company now provides Artificial Intelligence (AI) solutions to support reliable video evidence collection and it believes that AI is an important component within vehicle video safety and security. Vehicle video solutions can be viewed as mobile data collection systems where video data is analyzed and available to be transmitted in real-time. Customers are now equipping a greater number of vehicles with video systems and are also increasing the number of video components within each vehicle – most of which are using high definition video. This trend dramatically increases the amount of video data collected and analyzed in today's vehicle video systems.

The Company believes that Artificial Intelligence has the potential to transition conventional mobile video systems to intelligent machine vision solutions that automatically make decisions without human interaction. These intelligent machine vision solutions could change the way conventional systems manage data. With more cameras being installed in mobile applications and each camera having higher resolution, the amount of video data that has to be analyzed may eventually overwhelm staffing operations. Examples of applications that could greatly benefit from new AI algorithms are driver performance monitoring, abnormal passenger behavior, passenger tracking and counting and illegal passing of vehicles while buses are stopped putting passengers at risk during loading and unloading. Another example is in area of one of a transit agencies largest expenses which is claims and liabilities. A common problem in this area is false liability claims. A reliable mobile data collection system with built in AI could be a valuable tool to help mitigate the millions of dollars spent on legal fees every year.

SEPTA offers an example of the importance of using Artificial Intelligence in vehicle video surveillance. SEPTA has over 27,000 video cameras installed in vehicles and stations and operates a fleet of approximately 3,000 vehicles operating more than 12 hours per day transporting more than 1 million riders per weekday. These vehicle video surveillance systems now collect an enormous amount of video evidence, which requires wireless transmission, long-term data storage, and analysis. Video evidence and analysis is extremely important to SEPTA. SEPTA's *Fiscal Year 2020-2024 Financial Projections* identifies significant savings of approximately \$22 million USD per year in liability claims, which had historically cost the transit authority more than \$40 million USD per year, through effective collection and management of video evidence.

The Company believes its Artificial Intelligence and video analytics solutions for vehicle and mobile applications are competitive differentiators and growth drivers that being now being exposed and recognized by customers with sophisticated video evidence systems – such as SEPTA.

Sales Backlog

As at February 28, 2021, the Company's contracted sales backlog and sales funnel remains brisk, indicating the Company is currently on track to hit revenue targets in fiscal 2021. Interest in the Company's platform has expanded to multiple mobile markets including city and military vehicles, special law enforcement vehicles, courier vehicles, first responder and ambulances. This new interest adds to the Company's core markets of school and transit buses. The Company executed on its plan to expand service-based recurring revenue by winning a contract with SEPTA to service existing video equipment and provide certain evidence management services for up to five years, worth approximately \$12 million CDN. The order size and growth potential with this evolved customer mix is aligned with the Company's mandate to achieve accelerated revenue growth and to achieve profitability year over year. The Company is in the process of expanding recurring revenue offerings with hosted data management services.

Future Development and Deployment:

The Company intends to increase its focus on services and solutions that are annually recurring. For example, in April 2021 the Company launched a new Software-as-a-Service (SaaS) based video management solution designed to store and manage school bus video data and announced its first customer deployment for a school bus fleet in Wisconsin. The school district in Wisconsin had previously purchased the PaaS solution for their buses in February 2021 and is now adding the SaaS-based video management software to achieve an advanced comprehensive intelligent video program for their fleet.

As new video and data technologies become more prominent, many of the Company's customers are returning to the Company for system upgrades and/or system replacement. These returning customers now represent a high percentage of the business, and the Company refers to this business as its "recurring customer" business. Growth in the recurring customer business is a testament to the excellent customer satisfaction which the Company prides itself in.

In the transit market the Company is actively conducting proof-of-concept trials for new products and is developing solutions that integrate AI and video its analytics capabilities. For example, the video analytics capabilities that have been developed for the school industry segment such as the Stop Arm Camera technology, can be adapted for transit applications for street cars to record video evidence of cars who illegally pass street cars while transit passengers are loading or unloading.

Gatekeeper remains committed to engineering and manufacturing industry leading video and systems that incorporate the latest software, features and functionality. Management believes that accelerating future growth is dependent upon being able to provide comprehensive, integrated management solutions for the data and information our equipment and other devices collect, combined with intelligent applications able to analyze and interpret video as it is being recorded.

Additionally, offering the capability to provide professional, hosted data management services to monitor, review and package video evidence, on behalf of customers, is another potential area of growth that could represent significant scalable recurring revenue. Product development efforts have been focused on emerging technologies that incorporate intelligent self-diagnostics, video analytics, artificial intelligence, deep learning, and overall data management.

Research and development efforts are being directed towards development of capabilities for integrating Gatekeeper products with third-party software and hardware in order to deliver more robust, faster to market, and cost-effective solutions. Our core strategy is to evolve our software applications to manage discrete data input, from multiple devices, and to transition parts of our business to a software as a service revenue model. This model will position the Company's software as being the gateway or portal to multiple devices and applications all managed through a single Gatekeeper software hub.

Expanding into other niche markets: Gatekeeper's video and data solutions have expanded to include transit, transport and first responder markets. Forward facing cameras provide the high-definition imagery evidence necessary to determine what happened in an incident. This information can be used to protect drivers, or settle legal disputes, using indisputable evidence. Video, integrated with GPS, time and date, and other vehicle sensors has become a common source of evidence, as well as representing valuable operational performance information.

With these technologies, our clients possess the tools to detect, analyze, and respond to safety and security threats, and to reduce losses arising through false liability claims. The Company's products can be sold independently or as a complete end-to-end solution that includes the following components and/or features:

Selected Financial Information

The following sets out selected financial information from the Company's four most recently completed financial years and are derived from the Company's consolidated financial statements. Users of this information should read the following in conjunction with those statements thereto.

	For the years ended			
	August 31, 2020	August 31, 2019	August 31, 2018	August 31, 2017
Revenue	\$ 20,316,576	\$ 13,726,313	\$ 7,850,933	\$ 7,605,107
Cost of Sales	\$ 11,967,766	\$ 7,622,185	\$ 3,661,863	\$ 3,753,445
Gross Profit	\$ 8,348,810	\$ 6,104,128	\$ 4,189,070	\$ 3,851,662
Gross Margin Percentage	41%	44%	53%	51%
Expenses	\$ 6,296,052	\$ 6,482,996	\$ 5,584,266	\$ 3,949,476
Operating Income (Loss)	\$ 2,052,758	\$ (378,868)	\$ (1,395,196)	\$ (97,814)
Net Income (Loss) for the year	\$ 3,535,007	\$ (285,827)	\$ (1,323,277)	\$ (331,759)
Earnings (Loss) per share –				
Basic	\$ 0.04	\$ (0.00)	\$ (0.02)	\$ (0.00)
Diluted	\$ 0.04	\$ (0.00)	\$ (0.02)	\$ (0.00)
Total Assets	\$ 15,601,937	\$ 9,249,093	\$ 7,894,272	\$ 8,871,139
Total Non-Current Liabilities	\$ 815,395	\$ 101,608	\$ -	\$ -
Total Liabilities	\$ 4,764,064	\$ 2,331,195	\$ 873,817	\$ 825,991
Total Shareholders' Equity	\$ 10,837,873	\$ 6,917,898	\$ 7,020,455	\$ 8,045,148

During the year ended August 31, 2020, the Company adopted IFRS 16, Leases. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Right-of-use assets will be measured at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. The Company elected to apply the effect of changes retrospectively with the cumulative effect of initially applying the standards recognized to retained earnings at the date of initial application which is September 1, 2019 (see Note 14 to the financial statements). The right-of-use assets are measured on adoption at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease recognized in the statement of financial position at adoption.

At the date of adoption, the Company had two building leases and four automobile leases affected by the transition to IFRS 16. The two building leases include office and warehouse space for the Company's headquarters located in Abbotsford, BC in Canada and for the US Subsidiary in Bristol, Pennsylvania. These leases were previously accounted for as operating leases under IAS 17. The fair value of the lease liability was estimated using level 2 inputs on the adoption date of IFRS 16 using the Company's incremental borrowing rate of 5.28% and a weighted average lease term of 7.57 years.

The four automobile leases were previously accounted for as finance leases under IAS 17. During the year ended August 31, 2019, the fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the implicit rate of the leases at 6.325%, a weighted average lease term of 4 years and a weighted

average Guaranteed Residual Value of \$29,398. During the year ended August 31, 2020, one of the four automobile leases was terminated.

See Note 11 to the accompanying financial statements for the Right of Use Assets of these leases.

Overall Financial Performance

Company revenue for the three and six months ended February 28, 2021 was \$3,291,961 and \$8,256,766 respectively, compared to \$3,574,643 and \$6,931,041 for the same prior year comparable periods, representing a decrease of 8% and increase of 19% respectively. Revenue is earned in two main regions, being Canada and United States. Total revenue earned for the three and six months ended February 28, 2021 in Canada was \$701,802 and \$1,199,561, respectively (2020 - \$606,799 and \$1,325,671), and total revenue earned in the United States was \$2,590,158 and \$7,057,205, respectively (2020 - \$2,967,844 and \$5,605,370).

Revenue in the United States maintained steady while revenue and interest in Canada met expectations during the current period as compared to the comparative period primarily due to operations of the US subsidiary ramping up after the initial buildout of infrastructure and resources subsequent to Gatekeeper Systems USA Inc. becoming a wholly-owned subsidiary of the Company in April 2018, which has added a layer of efficiency for USA-based customers. The Company has also expanded its direct sales and sales support team in an effort to increase sales in the North American market.

Cost of sales for the three and six months ended February 28, 2021 was \$1,691,100 and \$4,885,460, respectively, compared to \$1,960,175 and \$3,848,560 for the same prior year comparable periods, representing a decrease in direct costs of 13% and increase of 27%, respectively. Tariffs imposed by the US government, effective September 2018, on products manufactured in China continue to have an impact on the gross profit margin. The Company is anticipating gross margin increases by implementing strategic pricing initiatives and software services during second half of fiscal 2021.

Gross Margin for the three months and six months ended February 28, 2021 was \$1,600,861 and \$3,371,306, respectively, compared to \$1,614,468 and \$3,082,481 for the same prior year comparable periods, representing a decrease in gross margin of 1% and increase of 9%, respectively.

The Company reported a net loss before income taxes of \$73,343 for the three months ended February 28, 2021, and reported net income of \$139,737 for the six months ended February 28, 2021, compared to net income of \$67,462 and net income of \$51,715 for the same prior year comparable periods, representing a decrease in profitability of 9% and 170%, respectively. Non-cash expenses included in net income for the six months ended February 28, 2021 total \$681,207, and includes depreciation, stock-based compensation, write-down of inventory, foreign exchange loss and deferred income tax expense.

Overall operating expenses for the three and six months ended February 28, 2021 was \$1,508,881 and \$3,025,895, respectively, as compared to \$1,551,966 and \$3,049,181 for the same prior year comparable periods representing a decrease in operating expenses of 3% and 1%, respectively. During the current fiscal quarter, management continued to implement its operating cost management plan implemented in Q3 2019 with the goal to be profitable year over year despite pressure on gross margin caused by changes in tariff policies between China and United States.

Total comprehensive loss for the three and six months ended February 28, 2021 was \$341,909 and \$99,508, compared to total comprehensive income of \$90,551 and \$90,219 for the same prior year comparable periods. During the three months ended February 28, 2021, deferred income tax expense was recognized in the amount of \$298,000 (2020 - \$Nil) given the increasing profitability of the Company.

Selected Quarterly Information

Key comparative financial information for the last eight quarters is summarized as follows:

	F2019-Q3	F2019-Q4	F2020-Q1	F2020-Q2	F2020-Q3	F2020-Q4	F2021-Q1	F2021-Q2
	31-May	31-Aug	30-Nov	29-Feb	31-May	31-Aug	30-Nov	28-Feb
	2019	2019	2019	2020	2020	2020	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	4,308,506	4,879,510	3,356,397	3,574,643	5,653,462	7,732,074	4,964,805	3,291,961
Gross Profit	1,973,883	2,076,830	1,468,012	1,614,468	2,407,160	2,859,170	1,770,445	1,600,861
Gross Profit	46%	43%	44%	45%	43%	37%	36%	49%
Expenses	1,424,785	1,828,201	1,497,217	1,551,966	1,472,852	1,774,017	1,517,014	1,508,881
Net Income (Loss)	616,572	167,601	(332)	90,551	1,325,428	2,119,360	242,401	(341,909)
EPS (Basic)	0.01	0.00	0.00	0.00	0.01	0.02	0.00	(0.00)
EPS (Diluted)	0.01	0.00	0.00	0.00	0.01	0.02	0.00	(0.00)
Assets	7,840,198	9,249,093	8,917,960	8,162,994	9,820,196	15,601,937	14,894,941	14,085,358
Liabilities	1,271,061	2,331,195	1,955,590	1,104,573	1,292,977	4,764,064	3,767,819	3,231,045
Shareholders' Equity	6,569,137	6,917,898	6,692,370	7,058,421	8,527,219	10,837,873	11,127,122	10,854,313

Outlook

According to the market research report "**Mobile Video Surveillance Market by Offering (Hardware (Cameras, Storage Solutions), Software (Video Analytics, VMS), Service), Application (Trains & Trams, Buses, Transport Vehicles, Police Cars, Drones), Vertical, and Geography - Global Forecast to 2023**", the mobile video surveillance market was valued at USD\$1.40 billion in 2017 and is expected to reach USD\$2.32 billion by 2023, at a Compounded Annual Growth Rate (CAGR) of 8.77% between 2017 and 2023.

The increasing demand for remote video surveillance technologies, and systems that offer real-time monitoring and security for first responders, transit vehicles, school buses, and for fleet operators in general is driving the market. The market for the transportation vertical is expected to grow at the highest rate between 2017 and 2023. The demand for security systems in public transport, mass transit systems, ports, and so on is increasing to reduce theft and other criminal activities.

Rising demand for intelligent and scalable mobile video surveillance and cloud-based surveillance and safety solutions, along with growing adoption of IP cameras, are additional factors driving the mobile video surveillance market growth. The demand for scalable, intelligent mobile video surveillance and safety solutions with the ability to connect to multiple applications may be a significant trend that could represent a key differentiator for the Company.

A rapidly growing number of commercial businesses and government organizations are deploying mobile video surveillance systems integrated with GPS to increase fleet safety and security accentuating the growth of the market. World over, the mounting security concern attributed to rising criminal and unsafe activities could be a factor increasing the demand for intelligent mobile video systems in first responder vehicles, transit vehicles, school buses, and commercial fleets.

Continued advances in video management software and analytics, and mobile networks are anticipated to create new applications. Rapid advances in networking infrastructure and technology are expected to provide a robust impetus to the demand for mobile video surveillance systems.

Gatekeeper's Growth Strategy

Gatekeeper's goal is to be a market leader in the mobile video segment, by providing its customers with superior products, through world class innovation. A component of the growth strategy is understanding niche market requirements and designing specific features and functionality that address them, as well as supporting local sales and service programs.

The Company believes its PaaS business model is important to its growth strategy. PaaS has been designed to enable intelligent transportation solutions for Smart City initiatives. The *Statista Research Department* expects technology spending in worldwide Smart City initiatives to reach US\$124 billion in 2020, an increase of 20% from 2019, and to reach US\$189.5 billion by 2023. The PaaS platform is centered around the intelligent video devices that the Company is actively installing for transit authorities on multiple transportation modes.

Gatekeeper's software and AI solutions supports growth in reliable video evidence collection, and the Company believes that AI is an important component within vehicle video safety and security. Customers are now equipping a greater number of vehicles with video systems and are also increasing the number of video components within each vehicle – most of which are using high definition video. This trend dramatically increases the amount of video data collected and analyzed in today's vehicle video systems. AI dramatically changes how this data is managed and creates an opportunity for Gatekeeper to deliver significant value to its customers.

Smart City and video-based solutions continue to evolve with the addition of new and different sensors, higher resolution images, larger storage, faster processing and increased durability. Developing smart devices and providing video management software that possess the ability to integrate with other discrete systems represents an opportunity to both gain an increased share of existing markets and enter new markets. Gatekeeper's development efforts are focused on providing a robust open architecture video management software platform that can integrate and interface with other manufacturer's devices, to form a comprehensive control system that brings all components together in a single application.

Gatekeeper is exploring opportunities to partner with customers who have expressed strong interest in adopting specific video analytics applications that can provide facial recognition, people counting, detection of pot holes, automated ticketing of parking violations, and driver behavior monitoring.

North America continues to be the dominant market for the Company but the need to protect children in and around school buses, as well as increase safety on highways, is a global concern. Gatekeeper's "Student Protector" program and cloud-based software application, trade named TIMS (Traffic Infraction Management System), has garnered attention from governments outside of North America. Selective expansion beyond the boundaries of North America is being explored through strategic partnerships.

Liquidity and Capital Resources

At February 28, 2021, the Company had cash and cash equivalents of \$3,949,825 and working capital of \$8,696,902, compared to \$1,029,324 and \$8,325,049, respectively at August 31, 2020.

Cash provided by operating activities was \$4,401,902 for the six months ended February 28, 2021, as compared to \$178,804 during the six months ended February 29, 2020, which was primarily related to the significant decrease in receivables and payables during the periods.

Cash used through investing activities was \$54,332 for the six months ended February 28, 2021, as compared to cash used of \$14,989 during the six months ended February 29, 2020, which was primarily related to the purchase of property, plant and equipment during the periods.

Cash flows used through financing activities during the six months ended February 28, 2021 was \$1,420,644 as compared with \$658,626 during the six months ended February 29, 2020, primarily due to the repayments on the short term loan and line of credit during the periods.

On July 23, 2020, the Company entered a \$3,000,000 revolving credit facility with Toronto Dominion Bank (the "**Credit Facility**") bearing interest at a rate of prime plus 0.85% per annum and United States Base Rate (USBR) loans at a rate of prime plus 0.75%. The Credit Facility is intended to be used for general working capital purposes. The Credit Facility is secured by a General Security Agreement (GSA) for Gatekeeper Systems Inc., representing a first charge on the Company's present and after acquired personal property, and a Uniform Commercial Code Security Agreement ("UCC") for Gatekeeper Systems USA Inc., among other customary guarantees, and is repayable upon demand. The

initial drawdown under the Credit Facility is subject to satisfaction or waiver of certain conditions precedent customary for a financing of this type.

As at February 28, 2021 there was \$Nil owing under the Credit Facility (August 31, 2020 - \$1,411,969).

Effective June 12, 2018 and amended July 12, 2019, the Company entered into a non-dilutive, revolving and non-revolving, secured line of credit of up to \$1,000,000 (the "**Line of Credit**") with its bank. Funds are to be available to the Company under the Line of Credit pursuant to an availability formula based on eligible receivables and inventory and is secured by a General Security Agreement over the assets of the Company. As at February 28, 2021 there was \$Nil advanced or owing under the Line of Credit (August 31, 2020 - \$Nil), which was repaid in full during the year ended August 31, 2020.

The Company entered into a \$500,000 demand non-revolving short-term loan facility (the "**Short-Term Loan**") effective July 12, 2019 which shall be repaid in full on or before the sixth month anniversary of the initial advance.

As at February 28, 2021 there was \$Nil advanced or owing under the Line of Credit, and \$Nil owing as a Short-Term Loan, which was paid in full during the year end August 31, 2020.

The Company agreed to pay a related party an annual fee of \$18,750 USD as consideration for subordinating the related party's first charge over the Company's assets on any debts to the related party by the Company. During the year ended August 31, 2020, the Company terminated this agreement and made a final payment of \$1,297 CDN to the related party.

The Company had cash and cash equivalents of \$3,949,825 at February 28, 2021 (August 31, 2020 – \$1,029,324), however management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures.

Circumstances that may impact the Company's ability to obtain financing in the future include poor market conditions, increased interest rates and actual operations being different than expected by management. The Company mitigates these risks through a planning and budgeting process by which it anticipates and determines the funds required to support its normal operating requirements.

The Company has maintained a working capital balance of over \$6 million for the last three fiscal years, which has been sufficient to repay the Company's liabilities in the normal course of business and meet its contractual obligations for the next 12 months.

The Company operates in two geographic segments, being Canada and the United States, and is subject to currency risk. Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows. The Company monitors and forecasts the values of net foreign currency cash flow and statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations.

Contractual Obligations

As of February 28, 2021, the Company's contractual obligations and contingencies are as follows:

- a) The Company has commitments to make payments related to the acquisition of certain operating assets and service contracts of Spector Logistics, Inc.
- b) The Company derives its revenue from the sale of products in various tax jurisdictions, which are subject to various Canadian and foreign federal and provincial laws and regulations governing taxes. These laws and regulations are continually changing. The Company believes its operations are materially in compliance with all applicable laws and regulations. There is no guarantee that the Company's chosen tax position will not be challenged by tax

authorities in these jurisdictions which could result in additional taxes, related non-income tax amounts, interest and penalties payable.

The Company regularly assesses its income tax and related non income tax amounts and obligations and the related filing obligations in the United States and Canada. It is management's position that adequate provisions have been made in the financial statements related to such obligations. However, there exists uncertainty due to the fact that the Company could be assessed differently by tax and/or other regulatory authorities in a manner that is not consistent with management's expectation. This situation would result in management being required to adjust its provision for income taxes and related non income tax amounts in the period that such a situation occurs and such adjustments could be material.

Capital Structure

As at February 28, 2021, the Company had 89,775,144 common shares issued and outstanding, nil Class A preferred shares outstanding.

	Common Shares	Class A Preferred Shares
Balance – August 31, 2020	89,375,144	-
Shares issued upon exercise of stock options	400,000	-
Balance – February 28, 2021	89,775,144	-

During the six months ended February 28, 2021, 400,000 options were exercised between \$0.11 and \$0.25 for gross proceeds of \$71,850.

During the year ended August 31, 2020, 900,000 options were exercised between \$0.11 and \$0.30 per share for gross proceeds of \$147,000. The options exercised had a fair value of \$91,472, which has been reclassified from Reserves to Share Capital.

During the year ended August 31, 2020, 878,000 common shares were issued to the Chief Executive Officer of the Company, as a bonus, at a fair market value of \$166,820, of which \$31,820 was recorded as salaries and benefits expense included in general and administrative expenses and \$135,000 was accrued for during the year ended August 31, 2019.

Stock Options

Under the current stock option plan a maximum of 10% of the total issued and outstanding common shares of the Company are reserved for issuance.

The changes in stock options during the six months ended February 28, 2021 were as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2018	\$0.18	7,618,250
Options granted	\$0.11	2,005,000
Options cancelled	\$0.17	(1,850,000)
Balance – August 31, 2019	\$0.17	7,773,250
Options granted	\$0.14	770,000
Options exercised	\$0.16	(900,000)
Balance – August 31, 2020	\$0.17	7,643,250
Options cancelled	\$0.24	(23,750)
Options exercised	\$0.18	(400,000)
Balance – February 28, 2021	\$0.17	7,219,500

During the period ended February 28, 2021, the Company granted Nil options.

During the period ended February 28, 2021, the Company recorded total share-based payments of \$45,773 (2020 – \$8,804 which has been charged to general and administrative expense for the period.

During the year ended August 31, 2020, the Company granted 770,000 (2019 – 675,000) incentive stock options to directors, officer, employees and consultants which may be exercised within 5 years from the date of grant at prices ranging from \$0.135 to \$0.20 per share.

The weighted average fair value of the options granted during the period ended February 28, 2021 was estimated at \$Nil per option as at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	February 28, 2021	August 31, 2020
Risk free interest rate	-	0.69%
Expected life	-	5 years
Expected volatility	-	76.41%
Expected dividend per share	-	-

Incentive share options outstanding and exercisable at February 28, 2021 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price
\$0.105	300,000	7.72	\$0.105	300,000	7.72	\$0.105
\$0.11	325,000	3.28	\$0.11	300,000	3.34	\$0.11
\$0.12	1,600,000	6.82	\$0.12	1,550,000	6.80	\$0.12
\$0.12	980,000	3.42	\$0.12	765,000	3.42	\$0.12
\$0.13	500,000	5.18	\$0.13	500,000	5.18	\$0.13
\$0.16	175,000	4.21	\$0.16	175,000	4.21	\$0.16
\$0.18	125,000	3.39	\$0.18	125,000	3.39	\$0.18
\$0.195	740,250	5.41	\$0.195	740,000	5.41	\$0.195
\$0.25	1,497,500	2.10	\$0.25	1,497,500	2.10	\$0.25
\$0.30	352,000	2.54	\$0.30	352,000	2.54	\$0.30
\$0.135	625,000	4.10	\$0.135	350,000	4.10	\$0.135
	7,219,500	4.10	\$0.166	6,654,500	4.46	\$0.17

During the six months ended February 28, 2021, the Company recorded total share-based payments of \$45,733 (2020 – \$8,804), which has been charged to general and administrative expense for the period.

Share Purchase Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2018	\$0.30	10,640,000
Expired	\$0.30	(10,640,000)
Balance – August 31, 2019 and 2020	-	-
Balance – February 28, 2021	-	-

Use of Financial Instruments

The Company classifies all financial instruments as either financial assets or liabilities at fair value through profit or loss ("FVTPL"), loans and receivables or other financial liabilities. Loans and receivables and other financial instruments are measured at amortized cost.

The Company has designated its cash and cash equivalents and restricted cash as FVTPL, which is measured at fair value. Trade receivables and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables, salaries and benefits payable and line of credit are classified as other financial liabilities which are measured at amortized cost.

Financial Risk Management

The financial risks arising from the Company's operations are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and accounts receivable. This risk related to cash is managed using a major financial institution of high credit quality as determined by rating agencies. Accounts receivable mainly consists of receivables from customers. To reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In some cases, the Company requires bank letters of credit or subscribes to credit insurance.

At February 28, 2021, 27% of the Company's trade accounts receivable balance is over 90 days past due (August 31, 2020 – 26%). The carrying amount of trade and other receivables as at February 28, 2021 was \$2,721,464 (August 31, 2020 - \$7,720,780). The Company insures its non-government accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows, as well as future equity and debt financing.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process. The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at February 28, 2021 and August 31, 2020 are summarized as follows:

	February 28, 2021	August 31, 2020
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 567,842	\$ 1,793,149
In later than 90 days, not later than one year	923,443	2,002,323
	\$ 1,491,285	\$ 3,795,472

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings in financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant exposure at February 28, 2021 through its financial instruments.

Commodity Price Risk

Commodity price risk is the risk due to which business financial performance is adversely affected by fluctuations in the prices of commodities. The Company has no significant exposure at February 28, 2021 to commodity price risk through its financial instruments.

Currency Risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities.

The Company realized approximately 89% of its sales and makes a significant amount of its purchases in US dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding its cash and cash equivalents in USD and Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to hedge a portion of foreign currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars as of February 28, 2021 and August 31, 2020:

	February 28, 2021	August 31, 2020
Cash and cash equivalents	\$ 3,396,386	\$ 538,191
Trade and other receivables	2,312,133	7,208,833
Trade and other payables and accrued liabilities	(281,909)	(1,941,883)
Finance lease obligation	(377,098)	(419,235)
	\$ 5,049,512	\$ 5,385,906

Based on the above net exposure at February 28, 2021, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately \$505,000 decrease or increase respectively in both net and comprehensive loss (August 31, 2020 – \$538,591). The Company has not employed any currency hedging programs during the period ended February 28, 2021.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions.

Related Party Transactions

The Company's related parties include its subsidiaries, key management personnel and companies related by way of directors and shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

(a) Key Management Personnel Compensation

Key management includes the Company's Board of Directors and members of senior management.

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Salaries and short-term benefits	\$235,858	\$ 63,515	\$453,984	\$ 127,031
	\$235,858	\$ 63,515	\$453,984	\$ 127,031

(b) Trade Related Party Transactions

The amounts due to related parties as at February 28, 2021 and August 31, 2020 are as follows:

	February 28, 2021	August 31, 2020
Chief Executive Officer	\$ -	\$ 44,266
Directors	2,000	3,000
Vice Presidents	9,480	66,542
	\$ 11,480	\$ 113,808

Amounts due from and to related parties have been included in trade and other receivables and trade and other payables, respectively.

Other Related Party Transactions

On September 1, 2020, the Company entered into an amended employment agreement with the Chief Executive Officer pursuant to which the CEO is to be awarded a bonus in the amounts of \$1,400,000 which is included in prepaid expenses. The bonus is to be paid out in installments over a period of five years at the CEO's discretion. As at November 30, 2020, \$1,400,000 remains payable to the CEO as a bonus.

On December 16, 2019, the Company advanced to the Chief Executive Officer a loan of \$200,000 bearing an interest of 1% per annum repayable in two years. The Company earned interest of \$2,417 during the six months ended February 28, 2021.

On March 10, 2020, the Chief Executive Officer received a bonus of 878,000 common shares of the Company at a fair market value of \$166,820, of which \$31,820 was included in general and administrative expenses and \$135,000 was accrued for during the year ended August 31, 2019.

Outstanding Share Data

As of the report date, the Company had the following securities outstanding:

	Common Shares	Stock Options
Balance, February 28, 2021	89,775,144	7,912,500
Balance, April 27, 2021	89,790,144	8,054,500

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Allowances for Doubtful Accounts

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Inventory Valuation

The Company adjusts inventory values so that the carrying values do not exceed the net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates with regards to the amount of current inventory that will be sold, the prices at which it will be sold, and an estimate of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for products, obsolescence, changes in product offerings, technology changes and competition.

Determination of Functional Currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Accounting Standards and Amendments Issued and Adopted

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which have been adopted by the Company as of September 1, 2019:

- (i) IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in IAS 17. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied.

At the date of adoption, the Company had two building leases and four automobile leases affected by the transition to IFRS 16.

The two building leases include office and warehouse space for the Company's headquarters located in Abbotsford, BC in Canada and for the US Subsidiary in Bristol, Pennsylvania. These leases were previously accounted for as operating leases under IAS 17. The fair value of the lease liability was estimated using level 2 inputs on the adoption date of IFRS 16 using the Company's incremental borrowing rate of 5.28% and a weighted average lease term of 7.57 years.

The four automobile leases were previously accounted for as finance leases under IAS 17. During the year ended August 31, 2019, the fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the implicit rate of the leases at 6.325%, a weighted average lease term of 4 years and a weighted average Guaranteed Residual Value of \$29,398. During the year ended August 31, 2020, one of the four automobile leases was terminated.

See Note 11 – Property, Plant and Equipment of the accompanying financial statements for the Right of Use Assets of these leases, and Note 14 – Leases, for the lease obligations continuity table.

Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

Capitalization and Commercial Viability

The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favourable terms and/or other remedial measures.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through February 28, 2021 of \$7,775,355. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada and the United States and, like all global businesses, it has been subject to the impact of the global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions can result in reduced consumer and government spending and impact on the Company's financial results.

Key Employees

The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Supply Chain

The Company relies on major components to be manufactured on an Original Equipment Manufacturer (OEM) basis. Reliance on OEMs, as well as industry supply conditions generally involves several risks, including the possibility of defective products (which can adversely affect the Company's reputation for reliability), a shortage of components and delays in delivery schedules (which can adversely affect the Company's distribution schedules), and increases in component costs (which can adversely affect the Company's profitability). The Company has single-sourced manufacturer relationships, either because alternative sources are not readily or economically available or because the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. If these sources are unable or unwilling to manufacture our products in a timely and reliable manner, the Company could experience temporary distribution interruptions, delays, or inefficiencies, adversely affecting our results of operations. Even where alternative OEMs are available, qualification of the alternative manufacturers and establishment of reliable suppliers could result in delays affecting operating results adversely.

Electronic Component Shortages

Electronic component shortages have been a hindrance on a booming electronics marketplace throughout 2018, 2019, and into 2020. While new orders roll in and production remains steady, there simply may not be enough capacitors, resistors and other parts to satisfy demand. If the company is unable to source electronic components directly or indirectly through its OEM partners, the company may experience delays with receipt of product. Furthermore, larger amounts of inventory commitments to protect the company against potential shortfall in inventory due to demand could result in pressure on cashflow.

New Products and Technology Change Risk

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages. The Company invests significantly in the development of products and continually seeks to improve its current product offerings. The success of the Company continues to depend upon market acceptance of its new products, its existing products and its ability to refine and enhance current product lines. In some situations, new legislation is driving requirements for various subsets of the Company's products, particularly in the area of recording license plates of vehicles illegally passing a school bus. Should legislation or public opinion change, relating to various issues surrounding right of privacy, there would be no guarantee that the Company would maintain sales of these products.

New Market Risk

The ability of the Company to successfully enter new markets is subject to uncertainties. We have been successful in the past, and we continue to develop important alliances in new markets to ensure future success. However, there are no guarantees that we can establish new distribution channels or continue to develop new strategic partnerships.

Competition

The Company's markets are competitive and rapidly changing. Many competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base. As this market develops, a number of companies with greater resources could attempt to increase their presence in this market by acquiring or forming strategic alliances with our competitors or business partners.

Many competitors are also divisions or subsidiaries of larger enterprises, many of which also focus on the manufacture and sale of components or mass-market products. Many competitors also offer a broader line of security solutions that may include CCTV and video surveillance products. Even though our products may offer a competitive advantage, some competitors have the ability to provide an integrated security solution to an end-user at a price that may render our products uncompetitive.

The Company's success is significantly dependent upon management's ability to adapt to these competing forces, to develop more advanced products more rapidly and less expensively than our competitors, and to educate potential customers as to the benefits of using the Company's services. The Company's future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than our products and could bundle existing or new products with other more established products in order to compete with the Company. The Company expects additional competition from other established and emerging companies. Increased competition may result in price reductions, reduced gross margin and loss of market share, any of which could materially and adversely affect the Company's business. The Company may not be able to compete successfully against current and future competitors, and failure to do so would harm the business.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to be profitable in the future. The Company's future operating results will depend on a number of factors, including (i) the efficiency and effectiveness of the Company's marketing and advertising programs, (ii) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits, better quality service and reduced costs, (iii) the Company's ability to successfully identify and respond to emerging trends in the security industry, (iv) the level of competition in the security industry and (v) the ability to manage attrition level and subscriber replacement costs. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Intellectual Property Risks

The Company has taken steps to protect its proprietary technology. The Company relies on a combination of trademark, trade secrets, laws and other intellectual property protection methods to protect its proprietary technology. These steps may not completely protect the Company's proprietary technology, nor give it a competitive edge. Others may independently develop substantially equivalent technology or gain access to our trade secrets. If the Company is unable to protect its intellectual property, the business over time could be materially affected. The Company will pursue all avenues available to it, if necessary, to enforce its patents, and to protect its trademarks and other intellectual property rights owned by the Company.

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

Technological Change, New Products and Standards

The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing products and systems obsolete. The Company's products employ complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company's business, results of operations and financial condition.

Reliance on Information Systems and Technology

The Company's business relies upon information technology systems to effectively service its customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Should a significant disruption to its information technology occur, the Company's earnings could be adversely affected through loss of revenue and the costs to rectify the disruption. The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims the Company's earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention. The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption and authentication technology breaches or to alleviate problems caused by such breaches.

Reliance on Third Party Licenses

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company's products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

Effectiveness and Efficiency of Sales and Marketing Expenditures

The Company's future growth and profitability will be dependent in part on the effectiveness and efficiency of the Company's sales and marketing expenditures, including the ability of the Company to (i) create greater awareness of the Company's products and services, (ii) determine the appropriate messaging and media mix for future sales and marketing expenditures, and (iii) effectively manage sales and marketing costs in order to maintain acceptable operating margins. There can be no assurance that the Company will experience benefits from sales and marketing expenditures in the future. In addition, no assurance can be given that the Company's planned sales and marketing expenditures will result in increased sales, will generate sufficient levels of product and service awareness or that the Company will be able to manage such sales and marketing expenditures on a cost-effective basis.

Product Liability

The Company faces the inherent risk of exposure to product liability claims in the use of our products. While we will continue to attempt to take appropriate precautions, including the purchase of product liability insurance, there can be no assurance that we will avoid significant product liability exposure. There can be no assurance that adequate insurance coverage for future coverage for future commercial activities will be available at all, or at acceptable cost, or that a product liability claim would not materially adversely affect our business or financial condition.

Risk Associated with International Operations

Management of the Company believes that its future growth and profitability opportunities will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services. The risk associated with currency fluctuations comprise mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Risk Associated with NAFTA, Tariffs and proposed Destination-Based Cash Flow Tax (DBCFT)

Management of the Company believes that renegotiation of the North American Free Trade Agreement, the pending ratification of the agreement between the United States of America, the United Mexican States, and Canada (USMCA), and implementation of United States Tariffs on imports or implementation of the proposed DBCFT by the United States could significantly impact the Company's ability to operate profitably. More specifically, the emergence of tariffs on products manufactured in Canada, the USA, and China have material impacts on the cost of Gatekeeper products being imported and exported. The USA's prohibition of some surveillance products manufactured by specific Chinese companies could affect the Company and require redesign to comply with certain regulations. To mitigate the impact of any of these changes, the Company has implemented plans to move part of its operations to the United States by way of expansion. Such an expansion could increase operating expenses, cost of goods sold and affect overall profitability.

USA / China relations

The United States and China relations relating to such topics of allegations relating to illegal surveillance activities by certain Chinese companies on American assets could restrict these companies or subsidiaries from doing business in the United States. Gatekeeper cannot guarantee that its direct or indirect relationships with certain ODM partners in China will not impact future revenue should USA and China relations not improve.

COVID-19

In March 2020, government authorities declared a state of emergency due to the current and ongoing COVID-19 crisis, which the World Health Organization has declared as a global pandemic. The Company is considered an essential business and has remained in regular operation with employees continuing to work remotely where possible.

To date, the Company has experienced an impact on revenue in the areas that are deemed to be non-essential business. Revenue could be impacted if long term lock down continues caused by the COVID-19 pandemic. The Company relies on products from China and other overseas countries to be included in its overall system solutions and if supply chains are affected because of lock downs the Company may not be able to guarantee current revenue levels will continue. Approximately 30% of the Company's revenue in 2019 was from one customer and although that government customer has deemed the Company as an essential business thus assisting with continued revenue, there is no guarantee that status will continue if the pandemic worsens and a total shutdown of the transit industry was ordered. Should the Company's revenue be reduced substantially the Company may be forced to deplete its current work force and scale the business back. The Company sources products from a limited number of companies overseas and should that supply chain weaken or be unable to deliver because of the COVID-19 pandemic, the Company may be forced to reduce or shut down operations. The Company has immaterial long term debt and sufficient working capital to meet its commitments and maintain operations for twelve months.

Goodwill

Goodwill is the excess of the cost of an acquired enterprise over the net amount assigned to individual assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is tested for impairment annually by comparing the fair value of the operating cash flows to the carrying value of the reporting unit.

Expansion

The success of the Company's continued expansion will depend upon many factors, including the ability of the Company to maintain acceptable attrition rates and control of operating costs and generate positive cash flow over an extended period. There can be no assurance that the Company will be able to grow or achieve its continued expansion. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Available Workforce

Continued success will depend on the performance and continued service of the Company's employees. We rely on the ability to attract new engineers, research and development staff, production personnel and key sales and marketing employees. During the coming year, we will continue to develop our employees and search for key new hires, however there is no assurance that the Company will be able to retain existing personnel or attract, hire and retain additional qualified personnel.

Possible Adverse Effect of Future Government Regulations

The Company's operations are subject to a variety of laws, regulations and licensing requirements of federal, state, provincial, county, and municipal authorities. The loss of such licenses, or the imposition of conditions to the granting or retention of such licenses, could have a material adverse effect on the Company. The Company believes that it is in material compliance with applicable laws and regulatory requirements.

Government Contract Risk

The Company's business involves direct contracts with government entities. Contracts issued by governments may contain cancel for convenience clauses which could affect revenue.

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that material information about the Company and its subsidiaries would have been known to them and regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The CEO and CFO have evaluated and concluded that the Company's disclosure controls and procedures are adequate and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiary, would have been known to them as of February 28, 2021.

As well, as of February 28, 2021, the CEO and CFO have evaluated and concluded that the Company's internal controls over financial reporting have been adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined to be adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During the six months ended February 28, 2021, there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

Subsequent Events

On April 12, 2021, the Company announced the appointment of Corey Muirhead as independent director and concurrent with the appointment Robert Galbraith has resigned as director. The Company also announces that the grant of 850,000 incentive stock options to certain directors, officers, employees and consultants. The stock options are exercisable at a price of \$0.87 for a period of five (5) years from the date of grant and subject to vesting provisions.