



# GATEKEEPER

## **GATEKEEPER SYSTEMS INC.** Consolidated Financial Statements

For the Years Ended August 31, 2021 and 2020



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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Gatekeeper Systems Inc.:

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Gatekeeper Systems Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020 and the consolidated statements of income and comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast doubt about Gatekeeper Systems Inc.'s ability to continue as a going concern.

#### Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statement information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Geoff Dodds.

*HARBORSIDE CPA LLP*

Vancouver, British Columbia  
December 29, 2021

Harbourside CPA LLP  
Chartered Professional Accountants

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT**

(expressed in Canadian dollars)

	August 31, 2021	August 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 3,601,034	\$ 1,029,324
Trade and other receivables (note 6)	3,107,350	7,720,780
Inventories (note 7)	4,683,515	3,362,516
Prepaid expenses and other current assets	261,884	161,098
	11,653,783	12,273,718
<b>Non-Current Assets</b>		
Loan receivable (note 22)	200,000	200,000
Property, plant and equipment (note 9)	1,237,298	1,504,586
Intangible asset (note 10)	11,434	-
Goodwill (note 8)	144,119	152,633
Deferred tax asset (note 18)	1,155,000	1,471,000
<b>Total Assets</b>	<b>\$ 14,401,634</b>	<b>\$ 15,601,937</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Line of credit (note 11)	\$ -	\$ 1,411,969
Trade and other payables and accrued liabilities (note 12)	2,198,536	2,401,228
Bonus payable (note 22)	280,000	-
Lease obligations – current (note 13)	143,500	134,837
Unearned revenue	9,480	635
	2,631,516	3,948,669
<b>Non-Current Liabilities</b>		
Long-term lease obligations (note 13)	670,287	815,395
<b>Total Liabilities</b>	<b>3,301,803</b>	<b>4,764,064</b>
<b>Shareholders' Equity</b>		
Share capital (note 14)	16,520,226	16,286,919
Other capital reserves (notes 15 and 16)	2,135,711	2,215,128
Accumulated other comprehensive income (loss)	(47,787)	(35,082)
Deficit	(7,508,319)	(7,629,092)
	11,099,831	10,837,873
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 14,401,634</b>	<b>\$ 15,601,937</b>

**DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS** (note 1)  
**COMMITMENTS AND CONTINGENCIES** (note 23)

**APPROVED ON BEHALF OF  
THE BOARD OF DIRECTORS**

*“Colin Sutherland”*  
*(signed)*

**Director**

*“Douglas Dymont”*  
*(signed)*

**Director**

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

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**

*(expressed in Canadian dollars)*

	August 31, 2021	August 31, 2020
<b>Revenues</b>	\$ 17,231,080	\$ 20,316,576
<b>Cost of Sales</b>	9,715,096	11,967,766
<b>Gross Profit</b>	7,515,984	8,348,810
<b>Operating Expenses</b>		
General and administrative (note 17a)	3,106,450	2,637,909
Selling and marketing (note 17b)	1,877,666	2,063,307
Research and development (note 17c)	1,818,235	1,594,836
	6,802,351	6,296,052
<b>Operating Profit</b>	713,633	2,052,758
<b>Other Income (Expenses)</b>		
Canada emergency wage subsidy	-	247,086
Interest	4,073	22,575
Foreign exchange	(256,042)	(180,954)
Finance costs	(140)	(23,957)
Gain or loss on disposal of assets	-	(1,599)
Write-down of inventory	(24,751)	(7,685)
<b>Net income before income taxes</b>	436,773	2,108,224
Deferred income tax (expense) recovery (note 18)	(316,000)	1,471,000
<b>Net income</b>	120,773	3,579,224
<b>Other Comprehensive Income</b>		
Foreign currency translation differences	(12,705)	(44,217)
<b>Total Comprehensive Income</b>	\$ 108,068	\$ 3,535,007
Basic earnings per share	\$ 0.00	\$ 0.04
Weighted Average Number of Shares Outstanding	89,804,860	88,383,406
Diluted earnings per share	\$ 0.00	\$ 0.04
Weighted Average Number of Shares Outstanding	94,881,077	90,941,248

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

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**

*(expressed in Canadian dollars)*

	August 31, 2021	August 31, 2020
<b>Cash Flows from Operating Activities</b>		
Net Profit	\$ 120,773	\$ 3,579,224
Items not affecting cash from operations:		
Interest on lease liability	46,026	48,526
Depreciation	358,564	362,863
Amortization – intangible assets	817	-
Write-down of inventory	24,751	7,685
Gain on disposal of property, plant and equipment	-	1,599
Bad debt (recovery) expense	(21,391)	48,232
Special bonus	-	31,820
Share-based payments	12,395	71,148
Deferred tax expense	316,000	(1,471,000)
Unrealized foreign exchange loss (gain)	228,749	186,833
Changes in non-cash working capital balances related to operations:		
Trade and other receivables	(999,494)	(6,253,933)
Inventories	(1,428,996)	(1,755,863)
Prepaid expenses and other current assets	(102,919)	(57,994)
Trade and other payables	5,297,734	3,326,268
Bonus payable	280,000	-
Unearned revenue	8,844	(20,046)
Net cash provided by operating activities	4,141,853	(1,894,638)
<b>Cash Flows used in Investing Activities</b>		
Purchase of property, plant and equipment	(94,305)	(210,484)
Intangible assets	(12,251)	-
Proceeds from disposal of equipment	-	6,626
Loan receivable	-	(200,000)
Decrease (increase) in restricted cash	-	299,415
Net cash used in investing activities	(106,556)	(104,443)
<b>Cash Flows used in Financing Activities</b>		
Draws (repayment) on line of credit	(1,411,969)	1,370,597
Exercise of stock options	141,495	147,000
Draws (repayment) of short-term loan	-	(416,667)
Lease payments	(181,200)	(182,979)
Net cash used in financing activities	(1,451,674)	917,951
<b>Foreign Exchange Gain (Loss) on Cash and Cash Equivalents held in USD</b>	(11,913)	(8,358)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	2,571,710	(1,089,488)
<b>Cash and Cash Equivalents – Beginning of year</b>	1,029,324	2,118,812
<b>Cash and Cash Equivalents – End of year</b>	\$ 3,601,034	\$ 1,029,324

**Supplemental Cash Flow Information** (note 24)

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

**GATEKEEPER SYSTEMS INC.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**

*(expressed in Canadian dollars, except per share and share amounts)*

	<b>Common Shares</b>		<b>Reserves</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				
<b>Balance – August 31, 2019</b>	87,597,144	\$ 15,881,627	\$ 2,235,452	\$ 9,135	\$ (11,208,316)	\$ 6,917,898
Exercise of options	900,000	238,472	(91,472)	-	-	147,000
Issuance of bonus shares (note 22)	878,000	166,820	-	-	-	166,820
Share-based payments (note 17)	-	-	71,148	-	-	71,148
Foreign currency translation	-	-	-	(44,217)	-	(44,217)
Net income	-	-	-	-	3,579,224	3,579,224
<b>Balance – August 31, 2020</b>	89,375,144	\$ 16,286,919	\$ 2,215,128	\$ (35,082)	\$ (7,629,092)	\$ 10,837,873
<b>Balance – August 31, 2020</b>	89,375,144	\$ 16,286,919	\$ 2,215,128	\$ (35,082)	\$ (7,629,092)	\$ 10,837,873
Exercise of options	928,750	233,307	(91,812)	-	-	141,495
Share-based payments (note 17)	-	-	12,395	-	-	12,395
Foreign currency translation	-	-	-	(12,705)	-	(12,705)
Net income	-	-	-	-	120,773	120,773
<b>Balance – August 31, 2021</b>	90,303,894	\$ 16,520,226	\$ 2,135,711	\$ (47,787)	\$ (7,508,319)	\$ 11,099,831

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

## **1. Description of Business and Nature of Operations**

Gatekeeper Systems Inc. (the “Company” or “Gatekeeper”) 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 on January 7, 2011. The Company specializes in design, manufacturing and marketing of video security solutions for mobile and extreme environments.

The head office and principal address is located at Suite 301, 31127 Wheel Avenue, Abbotsford, British Columbia, V2T 6H1. The Company’s registered and records office is located at 10th floor, 595 Howe Street Vancouver, British Columbia, V6C 2T5.

On March 1, 2018, the Company formed a wholly-owned subsidiary called Gatekeeper Systems USA Inc. (the “US Subsidiary”) pursuant to the General Corporation Law of the State of Delaware on March 1, 2018 with a principal address located at 221 Valley Road, Wilmington, Delaware 19804. The Subsidiary’s registered and records office in the State of Delaware is 9E Lockerman Street, Suite 311, Dover, Delaware 19901, County of Kent.

The Company’s consolidated financial statements (the “financial statements”) as at August 31, 2021 and August 31, 2020 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a reported total comprehensive income of \$108,068 for the year ended August 31, 2021 (August 31, 2020 – comprehensive income \$3,535,007) and has a working capital of \$9,022,267 at August 31, 2021 (August 31, 2020 – \$8,325,049).

The Company had cash and cash equivalents of \$3,601,034 at August 31, 2021 (August 31, 2020 – \$1,029,324), but management cannot provide assurance that the Company will maintain 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. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. While certain restrictions are presently in the process of being relaxed, it is unclear when the world will return to the previous normal, if ever. This may adversely impact the expected implementation of the Company’s plans moving forward.



## **2. Basis of Preparation and Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the Company’s reporting for the year ended August 31, 2021. These consolidated financial statements were approved by the Board of Directors on 24, 2021.

The Company’s consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments which are measured at fair value and are presented in Canadian dollars except where otherwise indicated.

These consolidated financial statements incorporate the financial statements of the Company and its controlled, wholly-owned US Subsidiary. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

## **3. Summary of Significant Accounting Policies**

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

### **(a) Basis of Consolidation**

The Company’s consolidated financial statements include the accounts of the Company and its US Subsidiary, Gatekeeper Systems USA Inc. Subsidiaries are entities (including special purpose entities) controlled by the Company, where control is achieved by the Company having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained, and are deconsolidated from the date that control ceases.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

### **(b) Business Combinations**

The acquisition method of accounting is used to account for business combinations. The consideration transferred for the combination of a business comprises the fair value of the assets transferred, the liabilities assumed and goodwill. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs are expensed as incurred, except for costs to issue debt or equity securities which are accounted under the relevant IFRS.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

### **(c) Cash, Cash Equivalents and Restricted Cash**

Cash, cash equivalents and restricted cash comprise of cash at banks and short-term money market instruments which are readily convertible into a known amount of cash.

### 3. Summary of Significant Accounting Policies (continued)

(d) Goodwill

Goodwill is assessed for impairment on an annual basis and between annual tests whenever circumstances indicate that the carrying value of the goodwill and intangible assets might be impaired. Circumstances may include an adverse change in business climate or a more likely than not expectation that a cash-generating unit will be sold or disposed of. On at least a quarterly basis, an assessment is made as to whether such circumstances exist. An evaluation of recoverability of goodwill requires judgment, including the identification of cash-generating units, assigning assets and liabilities to cash-generating units, assigning goodwill to cash-generating units, and determining the estimated recoverable amount of each cash generating unit. Significant judgments that are required to estimate the recoverable amount of cash-generating units include estimating future cash flows, determining appropriate discount rates, consideration of appropriate control premium, market conditions, and other assumptions. Changes in these estimates and assumptions could materially affect the determination of recoverable amount for each cash-generating unit and may result in impairment charges in future periods.

(e) Inventories

Inventories are stated at lower of production cost and net realizable value. Cost for all inventory is determined using the weighted average method which, for work in process and finished goods, includes the cost of material, direct labour and applicable manufacturing overhead. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and supplies inventory consists of consumable parts and supplies which are valued at lower of weighted average cost and net realizable value. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Net realizable value is defined as the selling price of the finished product less any provisions for obsolescence and costs of completion.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation of property, plant and equipment is calculated using the following methods:

Asset	Method	Basis	Useful Life
Automotive	Straight-line	3.3 years	3.3 years
Computer equipment	Straight-line	5 years	5 years
Computer software	Straight-line	1 year	1 year
Furniture and fixtures	Straight-line	5 years	5 years
Office equipment	Straight-line	5 years	5 years
Technical equipment	Straight-line	5 years	5 years
Research and development equipment	Straight-line	5 years	5 years
Leasehold improvements	Straight-line	5 years	5 years
Office lease	Straight-line	Lease Term	90 months
Copier lease	Straight-line	Lease Term	60 months
Leasehold improvements (US Subsidiary)	Straight-line	Lease Term	10 months
Finance leased automobiles (US Subsidiary)	Straight-line	Lease Term	48 months
Office lease (US Subsidiary)	Straight-line	Lease Term	90 months

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized within other gains or losses in earnings.

### 3. Summary of Significant Accounting Policies (continued)

#### (g) Leases

*IFRS 16 – Leases.* The scope of IFRS 16 includes leases of all assets, with certain exceptions. The Company adopted this standard effective September 1, 2019. 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 (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). 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 (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). 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 (Note 13). 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 inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right of use asset and lease liability is recognized at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

#### (h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### 3. Summary of Significant Accounting Policies (continued)

#### (i) Revenue Recognition

The Company recognizes revenue when it has persuasive evidence of a contract with commercial substance, performance obligations have been identified and satisfied, payment items have been identified, and it is probable that the Company will collect the consideration it is entitled to. The Company's contracts often include products or services, which are generally capable of being distinct and accounted for as separate performance obligations.

##### Revenue Recognition on Product

The transaction prices of products are determined based upon selling prices established and periodically reviewed by the Company. The date the product is shipped is the date when the performance obligations in the contract are fulfilled and the revenue is recognized at that point in time.

##### Revenue Recognition on Installation and Service

Installation and service revenue is recognized at the point in time when installation and services are completed and the performance obligations in the contract are fulfilled.

Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of unearned revenue.

#### (j) Research and Development Costs

The Company engages in research and development activities. Research costs are expensed as incurred. Product development costs are expensed in the year incurred unless the costs meet the criteria for deferral and amortization. These criteria are met when the Company has established:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to reliably measure the expenditures attributable to the intangible asset during its development.

The Company is eligible for tax credits from the Scientific Research & Experimental Development ("SR&ED") program. When management determines that it is more likely than not that the Company has complied with all the terms and conditions related to the SR&ED program, the relevant tax credit is recorded in the period as a reduction to the related expenses or capital costs.

#### (k) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### 3. Summary of Significant Accounting Policies (continued)

#### (l) Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes Option-Pricing Model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

#### (m) Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants using the proportional method based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes Option Pricing Model.

#### (n) Current and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the consolidated financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The Company records provisions for uncertain tax provisions if it is probable that the Company will make a payment on tax positions as a result of examinations by the tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses that they are no longer required or determined by statute.

**3. Summary of Significant Accounting Policies (continued)**

(o) Foreign Currencies

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent Company's functional currency. The functional currency of the Company's US Subsidiary, is the United States dollar.

*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position and results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the report date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive income in the statement of loss and comprehensive loss. These differences are recognized in profit or loss in the period in which the operation is disposed.

(p) Earnings or Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury share method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

### 3. Summary of Significant Accounting Policies (continued)

#### (q) Financial Instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The following is the Company's accounting policy for financial instruments under IFRS 9:

#### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

#### **Measurement**

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

##### Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### **Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**3. Summary of Significant Accounting Policies (continued)**

(q) Financial Instruments (continued)

**Derecognition**

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

<b>Asset or Liability</b>	<b>Category</b>
Cash	FVTPL
Trade and other receivables	Amortized cost
Loan receivable	Amortized cost
Line of credit	Amortized cost
Trade and other payables	Amortized cost
Bonus payable	Amortized cost
Short-term loan	Amortized cost
Lease liability	Amortized cost

**4. Significant Accounting Judgments and 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 include those that 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.

**Significant Estimates**

(a) **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.



**4. Significant Accounting Judgments and Estimates (continued)**

**Significant Estimates (continued)**

**(b) 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, change in product offerings, technology changes and competition.

**(c) Impairment of Financial Assets**

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regard to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

**(d) Warranty Provision**

The Company estimates a provision for future warranty claims based on historical claims as well as recent trends at each reporting date. A provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

**(e) Useful Lives of Property, Plant and Equipment and Finite-Life Intangible Assets**

The Company reviews estimates of the useful lives of property, plant and equipment and finite-life intangible assets on an annual basis and adjusts depreciation or amortization on a prospective basis, if needed. Changes in technology or the intended use of assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change. The estimated useful lives of property, plant and equipment and finite-life intangible assets are determined by internal asset life analysis, which takes into account actual and expected future usage, physical wear and tear, replacement history and assumptions about technology evolution. When factors indicate that assets' useful lives are different from the prior assessment, the Company depreciates or amortizes the remaining carrying value prospectively over the adjusted estimated useful lives.

**(f) Leases**

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as profitability and operations. Extension option (or options after termination options) are only included in the lease term if the lease is reasonably certain to be included (or not terminated). The assessment of the lease term is reviewed if a significant event or significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure its lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

**4. Significant Accounting Judgments and Estimates (continued)**

**Significant Estimates (continued)**

**(g) Share-Based Payments**

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3 of the August 31, 2021 audited consolidated financial statements. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. Under the relative fair value method, the value of the private placement units are proportionally allocated between the shares and warrants issued based on their relative fair value. Judgement is required in determining the fair value of the shares, determined based on the closing price on the date of the transaction, and the fair value of the warrants, determined based on a Black-Scholes Option Pricing Model.

**(h) Current and Deferred Income Taxes**

Current and deferred income tax provisions and obligations are calculated for each of the jurisdictions in which the Company operates. Actual amounts of income tax expense and obligations are not final until tax returns are filed and assessed by the relevant taxation authorities. This occurs subsequent to the issuance of the financial statements, and the final determination of actual amounts may not be completed for a number of years. Therefore, financial results in subsequent periods will be affected by the amount that estimates differ from the final tax return.

**Significant Judgements**

**(a) Current and Deferred Income Taxes**

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position and what tax rate is expected to be applied in the year when the related temporary differences revers, particularly in regard to the utilization of tax loss carry-forwards. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its US Subsidiary operate could limit the ability of the Company to obtain tax deductions in future periods.

**(b) 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.

**(c) Going Concern**

Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

**5. Accounting Standards and Amendments Issued and Adopted**

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**6. Trade and Other Receivables**

	August 31, 2021	August 31, 2020
Trade receivables	\$ 3,097,156	\$ 7,691,540
Income tax receivable	6,836	19,380
Other receivable	3,358	9,860
	\$ 3,107,350	\$ 7,720,780

**7. Inventories**

	August 31, 2021	August 31, 2020
Raw materials	\$ 186,425	\$ 367,699
Finished goods	4,497,090	2,994,817
	\$ 4,683,515	\$ 3,362,516

For the year ended August 31, 2021, the cost of inventories recognized as an expense and included in cost of sales was \$5,548,477 (August 31, 2020 - \$7,853,893).

For the year ended August 31, 2021 a write-down of inventories of \$24,751 (August 31, 2020 - \$7,685) which was included in cost of sales.

As at August 31, 2021 there was \$Nil owing under the line of credit (August 31, 2020 - \$1,411,969), and there were \$Nil (August 31, 2020 - \$3,362,516) inventories secured under the line (Note 11)

**8. Goodwill**

Effective April 1, 2018 the Company's US Subsidiary purchased certain operating assets and service contracts from Wilmington, Delaware-based Spector Logistics, Inc. for a total purchase price of US\$300,000.

The purchase price allocation from the acquisition of Spector Logistics, Inc. assets was as follows:

	(USD) Fair Value	(CAD) Fair Value
Computer Equipment	\$ 39,450	\$ 50,922
Furniture and Fixtures	11,060	14,276
Goodwill	114,225	152,633
Inventory	3,000	3,872
Leasehold Improvements	50,000	64,540
Supplies	5,000	6,454
Tools	9,000	11,617
Vehicles	68,265	88,116
	<b>\$ 300,000</b>	<b>\$ 392,430</b>

The goodwill of \$152,633 (US\$114,225) was attributable to the marketing, sale and servicing of mobile video safety and security solutions in the United States. Goodwill, which is deductible for income tax purposes, 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.

As at August 31, 2021, the value of goodwill was \$144,119 (August 31, 2020 - \$152,633) and there was no impairment recorded for the years then ended.

**GATEKEEPER SYSTEMS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**

*(expressed in Canadian dollars except where noted)*

**9. Property, Plant and Equipment**

The changes in the Company's property, plant and equipment are as follows:

<b>Cost</b>	<b>Automotive</b>	<b>Computer Equipment and Software</b>	<b>Furniture and Fixtures</b>	<b>Leased Office Equipment</b>	<b>Technical Equipment</b>	<b>Research and Development Equipment</b>	<b>Leasehold Improvements</b>	<b>Right of Use Asset - Leased Automobile</b>	<b>Right of Use Asset - Office Leases</b>	<b>Right of Use Asset - Copier</b>	<b>Total</b>
August 31, 2019	\$ 90,285	\$ 448,112	\$ 62,177	\$ -	\$ 183,995	\$ 55,088	\$ 297,495	\$ 161,922	\$ -	\$ -	\$ 1,299,074
Additions	-	150,497	875	3,964	10,757	5,437	33,807	-	987,278	-	1,192,615
Disposal	-	-	-	-	(2,958)	-	-	(39,663)	-	-	(42,621)
Foreign currency difference	(2,186)	(2,060)	(358)	-	(498)	-	(2,908)	(3,921)	-	-	(11,931)
August 31, 2020	\$ 88,099	\$ 596,549	\$ 62,694	\$ 3,964	\$ 191,296	\$ 60,525	\$ 328,394	\$ 118,338	\$ 987,278	\$ -	\$ 2,437,137
Additions	-	68,205	1,358	-	17,812	-	6,750	-	-	11,945	106,070
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	(2,851)	(6,898)	(467)	-	(673)	-	(4,809)	(3,830)	(12,522)	-	(32,050)
<b>August 31, 2021</b>	<b>\$ 85,248</b>	<b>\$ 657,856</b>	<b>\$ 63,585</b>	<b>\$ 3,964</b>	<b>\$ 208,435</b>	<b>\$ 60,525</b>	<b>\$ 330,335</b>	<b>\$ 114,508</b>	<b>\$ 974,756</b>	<b>\$ 11,945</b>	<b>\$ 2,511,157</b>
<b>Depreciation</b>	<b>Automotive</b>	<b>Computer Equipment and Software</b>	<b>Furniture and Fixtures</b>	<b>Leased Office Equipment</b>	<b>Technical Equipment</b>	<b>Research and Development Equipment</b>	<b>Leasehold Improvements</b>	<b>ROU Asset - Leased Automobile</b>	<b>ROU Asset - Office Leases</b>	<b>Right of Use Asset - Copier</b>	<b>Total</b>
August 31, 2019	\$ 44,206	\$ 142,632	\$ 33,609	\$ -	\$ 102,135	\$ 55,088	\$ 185,628	\$ 19,707	\$ -	\$ -	\$ 583,005
Depreciation	30,298	103,559	8,596	3,964	30,937	544	28,918	24,533	132,116	-	363,465
Disposal	-	-	-	-	(296)	-	-	(4,831)	-	-	(5,127)
Foreign currency difference	(2,002)	(1,403)	(199)	-	(180)	-	(2,177)	(1,231)	(1,600)	-	(8,792)
August 31, 2020	\$ 72,502	\$ 244,788	\$ 42,006	\$ 3,964	\$ 132,596	\$ 55,632	\$ 212,369	\$ 38,178	\$ 130,516	\$ -	\$ 932,551
Depreciation	14,732	117,803	8,246	-	29,848	1,087	31,748	23,554	129,157	2,389	358,564
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	(2,429)	(8,272)	(249)	-	(221)	-	(2,811)	(1,367)	(1,907)	-	(17,256)
<b>August 31, 2021</b>	<b>\$ 84,805</b>	<b>\$ 354,319</b>	<b>\$ 50,003</b>	<b>\$ 3,964</b>	<b>\$ 162,223</b>	<b>\$ 56,719</b>	<b>\$ 241,306</b>	<b>\$ 60,365</b>	<b>\$ 257,766</b>	<b>\$ 2,389</b>	<b>\$ 1,273,859</b>
<b>Net Book Value</b>	<b>Automotive</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leased Office Equipment</b>	<b>Technical Equipment</b>	<b>Research and Development Equipment</b>	<b>Leasehold Improvements</b>	<b>ROU Asset - Leased Automobile</b>	<b>ROU Asset - Office Leases</b>	<b>Right of Use Asset - Copier</b>	<b>Total</b>
August 31, 2020	\$ 15,597	\$ 351,761	\$ 20,688	\$ -	\$ 58,700	\$ 4,893	\$ 116,025	\$ 80,160	\$ 856,762	\$ -	\$ 1,504,586
<b>August 31, 2021</b>	<b>\$ 443</b>	<b>\$ 303,537</b>	<b>\$ 13,582</b>	<b>\$ -</b>	<b>\$ 46,212</b>	<b>\$ 3,806</b>	<b>\$ 89,029</b>	<b>\$ 54,143</b>	<b>\$ 716,990</b>	<b>\$ 9,556</b>	<b>\$ 1,237,298</b>

**10. Intangible Asset**

On November 16, 2020, the Company acquired an intangible asset for \$12,251. The intangible asset is being recognised on a straight-line basis over the useful life of 15 years of the asset and \$817 in amortization was recognized for the year.

**11. Line of Credit and Short-Term Loan**

The Company agreed to pay a related party an annual fee of US\$18,750 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 to the related party.

On July 23, 2020, the Company entered into a \$3,000,000 revolving line of credit (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 August 31, 2021, there was \$Nil owing under the Credit Facility (August 31, 2020 - \$1,411,969).

**12. Trade and Other Payables and Accrued Liabilities**

	August 31, 2021	August 31, 2020
Trade payables	\$ 1,537,778	\$ 1,537,094
Salaries and benefits payable	394,815	308,695
Provincial Sales Tax payable and State Sales Tax Payable	2,295	12,427
Accrued and other liabilities	185,863	450,967
Accrued warranty liabilities	77,785	92,045
	\$ 2,198,536	\$ 2,401,228

Included in trade and other payables and accrued liabilities are amounts of \$91,722 (August 31, 2020 - \$113,808) due to related parties (note 22).

The Company provides a one year, three year, five year, ten year, or lifetime warranty, depending on the product, to repair or replace defective components with respect to its product sales. The warranty provision in the consolidated statements of loss and comprehensive loss includes management's best estimate of the total costs of all raw materials, labour and travel expenses required to repair issues related to all products that were sold and shipped prior to period end. During the year ended August 31, 2021, warranty expense included in cost of sales was \$7,935 (2020 - \$31,722)

As at August 31, 2021 included in accrued and other liabilities is \$Nil (August 31, 2020 - \$87,684 (US\$67,248)) related to an Asset Purchase Agreement (note 8).

### 13. Leases

On September 1, 2019, the Company adopted IFRS 16, Leases. 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 9 – Property, Plant and Equipment of these financial statements for the Right of Use Assets of these leases.

The following table presents lease obligations for the Company for the year ended August 31, 2021:

	Automobile Leases	Office Leases	Copier Lease	Total
	\$	\$	\$	\$
<b>Balance, August 31, 2019 and September 1, 2019</b>	128,540	-	-	128,540
Additions	-	987,278	-	987,278
Disposals	(31,024)	-	-	(31,024)
Interest	5,728	45,620	-	51,348
Lease payments	(28,357)	(156,410)	-	(184,767)
FX Adjustment	(2,417)	1,274	-	(1,143)
<b>Balance, August 31, 2020</b>	<b>72,470</b>	<b>877,762</b>	-	<b>950,232</b>
Additions	-	-	11,945	11,945
Interest	3,994	43,199	627	47,820
Lease payments	(24,377)	(154,072)	(2,752)	(181,201)
FX Adjustment	(2,232)	(12,777)	-	(15,009)
<b>Balance, August 31, 2021</b>	<b>49,855</b>	<b>754,112</b>	<b>9,820</b>	<b>813,787</b>
<b>Less: Current portion</b>	<b>(23,544)</b>	<b>(117,707)</b>	<b>(2,249)</b>	<b>(143,500)</b>
<b>Non-current lease liability</b>	<b>26,311</b>	<b>636,405</b>	<b>7,571</b>	<b>670,287</b>

The following table discloses the undiscounted cash flow for lease obligations as of August 31, 2021:

	Automobile Leases	Office Leases	Copier Lease	Total
	\$	\$	\$	\$
Less than one year	24,241	157,050	2,752	184,043
One to five years	10,100	720,058	8,256	738,414
	\$ 34,341	\$ 877,108	\$ 11,008	\$ 922,457

### 14. Share Capital

#### (a) Authorized Share Capital

The Company has authorized an unlimited number of common shares with no par value, unlimited Class A preferred shares with no par value, unlimited Class B preferred shares with par value of \$0.01 and unlimited Class C preferred shares with no par value.

**14. Share Capital (continued)**

At August 31, 2021, the Company had 90,303,894 common shares outstanding (August 31, 2020 – 89,375,144), Nil Class A preferred shares outstanding (August 31, 2020 – Nil), Nil Class B preferred shares outstanding (August 31, 2020 – Nil) and, Nil Class C preferred shares outstanding (August 31, 2020 – Nil).

The Class A preferred shares are convertible to common shares, at the option of the holder, at a fixed conversion rate of one to one. The Class B preferred shares are redeemable at the option of the Company on 21 days' notice for an amount of \$1,000 per share.

The Class C preferred shares may include one or more series of shares. The board of directors may, by resolution, if none of the shares of any particular series are issued, alter the Articles of the Company and authorize the alteration of the Notice of Articles of the Company to do one or more of the following:

- Determine the maximum number of shares of that series that the Company is authorized to issue, determine that there is no such maximum number, or alter any such determination;
- Create an identifying name by which the shares of that series may be identified, or alter any such identifying name; and
- Attach special rights and restrictions to the shares of that series, or alter any such special rights or restrictions.

**(b) Issued Share Capital**

During the year ended August 31, 2021, 928,750 options were exercised between \$0.11 and \$0.25 per share for gross proceeds of \$141,495. The options exercised had a fair value of \$91,812, which has been reclassified from Reserves to Share Capital.

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. (Note 23)

**15. Warrants**

There were no warrants issued and outstanding as at August 31, 2021 and 2020.



## 16. Share-Based Payments

The Company adopted a stock option plan (the “Plan”) whereby it can grant stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time. The maximum term of these options will be ten years and they typically vest over no more than four years.

The changes in stock options during the year ended August 31, 2021 were as follows:

	Weighted average exercise price	Number of Options
Balance – August 31, 2019	\$0.17	7,773,250
Options granted	\$0.14	770,000
Options exercised	\$0.16	(900,000)
	\$0.17	7,643,250
Balance – August 31, 2020		
Options cancelled	\$0.23	(23,750)
Options granted	\$0.87	850,000
Options exercised	\$0.15	(928,750)
Balance – August 31, 2021	\$0.25	7,540,750

During the year ended August 31, 2021, the Company granted 850,000 options at an exercise price of \$0.87 for a period of 5 years from the date of grant. The options are subject to vesting provisions and may not be exercised until January 2026.

During the year ended August 31, 2021, the Company recorded total share-based payments of \$12,395 (2020 – \$71,148) which has been charged to general and administrative expense for the period. The share-based payments expense was in respect of the continued vesting of stock options granted during the year ended August 31, 2021.

Incentive share options outstanding and exercisable at August 31, 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	200,000	7.21	\$0.105	200,000	7.21	\$0.105
\$0.11	25,000	2.18	\$0.11	-	-	-
\$0.11	300,000	2.84	\$0.11	300,000	2.84	\$0.11
\$0.12	1,150,000	6.25	\$0.12	1,150,000	6.25	\$0.12
\$0.12	200,000	1.76	\$0.12	200,000	1.76	\$0.12
\$0.12	980,000	2.92	\$0.12	886,250	2.92	\$0.12
\$0.13	500,000	4.67	\$0.13	500,000	4.67	\$0.13
\$0.16	75,000	3.55	\$0.16	75,000	3.55	\$0.16
\$0.16	100,000	3.82	\$0.16	100,000	3.82	\$0.16
\$0.18	125,000	2.88	\$0.18	125,000	2.88	\$0.18
\$0.195	718,750	4.90	\$0.195	718,750	4.90	\$0.195
\$0.25	1,440,000	1.59	\$0.25	1,440,000	1.59	\$0.25
\$0.25	25,000	1.76	\$0.25	25,000	1.76	\$0.25
\$0.30	352,000	2.03	\$0.30	352,000	2.03	\$0.30
\$0.135	500,000	3.60	\$0.135	350,000	3.60	\$0.135
\$0.87	850,000	4.62	\$0.87	-	-	-
	7,540,750	3.76	\$0.248	6,422,000	3.67	\$0.171

**17. Operating Expenses**

**(a) General and Administrative Expenses by Nature**

The Company recorded general and administrative expenses for the following periods:

	August 31, 2021	August 31, 2020
<b>General &amp; administrative expenses</b>		
Accounting and legal	\$ 130,461	\$ 154,036
Bad debt	(21,181)	48,232
Depreciation (note 9)	359,381	362,863
Interest charges on loans	137,343	139,600
Investor relations	119,956	120,117
Office	924,220	666,771
Regulatory	28,684	23,733
Rent	65,608	68,832
Salaries and benefits (note 22)	1,349,583	982,577
Share-based payments (notes 16 and 22)	12,395	71,148
	<b>\$ 3,106,450</b>	<b>\$ 2,637,909</b>

**(b) Selling and Marketing Expenses by Nature**

	August 31, 2021	August 31, 2020
<b>Selling and marketing expenses</b>		
Advertising and promotion	\$ 180,298	\$ 350,466
Salaries and benefits (note 22)	1,697,368	1,712,841
	<b>\$ 1,877,666</b>	<b>\$ 2,063,307</b>

**(c) Research and Development Expenses by Nature**

	August 31, 2021	August 31, 2020
<b>Research &amp; development expenses</b>		
Research and development materials	\$ 1,353,036	\$ 1,240,158
Research and development salaries and benefits (note 22)	465,199	354,678
	<b>\$ 1,818,235</b>	<b>\$ 1,594,836</b>

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**18. Income Tax**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
Earnings for the period before income taxes	\$ 436,773	\$ 2,108,224
Combined income tax rates	28%	27%
(Decrease) increase attributable to:		
Expected income tax expense (recovery)	123,000	575,000
Change in statutory, foreign tax, foreign exchange rates and other	154,000	(27,000)
Permanent difference	39,000	52,000
Change in unrecognized deductible temporary differences	-	(600,000)
Change in recognition of deferred tax assets	-	(1,471,000)
	\$ 316,000	\$ (1,471,000)
Deferred income tax expense (recovery)	\$ 316,000	\$ (1,471,000)
Provision for (recovery of) income taxes	\$ -	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2021	August 31, 2020
Share issuance costs	\$ -	\$ 2,000
Property, plant and equipment	226,000	27,000
Intangible assets	(9,000)	(7,000)
Warranty liability	25,000	25,000
Non-capital losses	904,000	1,420,000
ROU asset	(217,000)	(260,000)
Lease liability	226,000	264,000
Net deferred tax asset	\$ 1,155,000	\$ 1,471,000

During the year ended August 31, 2021 and August 31, 2020, the Company has recognized the deferred tax assets on these financial assets as it is probable that they will be realized given the increasing profitability of the Company.

The significant components of the Company's temporary differences and unused tax losses are as follows:

	August 31, 2021	Expiry Date Range	August 31, 2020
Property, plant and equipment	835,000	No expiry	99,000
ROU assets	(781,000)	No expiry	(937,000)
Intangible assets	(33,000)	No expiry	(24,000)
Share issuance costs	-	2021	6,000
Warranty liability	88,000	No expiry	87,000
Lease liability	814,000	No expiry	950,000
Non-capital losses carry forward	3,361,000	2034 - 2039	5,257,000
Canada	3,367,000	2034 - 2039	5,185,000
USA	2,000	2039	72,000

Tax attributes are subject to review and potential adjustment by tax authorities.

**19. Financial Instruments**

**Financial Assets and Liabilities**

Information regarding the Company's financial assets and liabilities as at August 31, 2021 and August 31, 2020 is summarized as follows:

	August 31, 2021	August 31, 2020
<b>Financial Assets</b>		
<b>Fair value through profit and loss, at fair value</b>		
Cash	\$ 3,601,034	\$ 1,029,324
<b>Loans and receivable, at amortized cost</b>		
Trade receivables and other receivables (note 6)	3,107,350	7,701,400
<b>Total Financial Assets</b>	<b>\$ 6,708,384</b>	<b>\$ 8,730,724</b>
<b>Financial Liabilities</b>		
Line of credit (note 11)	\$ -	\$ 1,411,969
<b>Other liabilities, at amortized cost</b>		
Trade payables (note 12)	1,537,778	1,537,094
Bonus payable (note 22)	280,000	-
Finance lease obligation - current (note 13)	143,500	134,837
Long-term finance lease obligation (note 13)	670,287	815,395
Spector Logistics, Inc. purchase payable (notes 8 and 12)	-	87,684
Salaries and benefits payable (note 12)	394,815	308,695
<b>Total Financial Liabilities</b>	<b>\$ 3,026,380</b>	<b>\$ 4,295,674</b>

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of its financial assets and financial liabilities, with a short-term maturity and demand nature, and recognized at amortized cost in the financial statements approximates their fair value of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly. As at August 31, 2021, the Company used level 2 inputs to determine the fair value of the finance lease obligation.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at August 31, 2021, the Company does not have any Level 3 financial instruments.

The fair value of cash, cash equivalents and restricted cash is based on level 1 inputs.

**Financial Instrument Risk Exposure**

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support the Company's ability to continue. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (note 21).

**19. Financial Instruments (continued)**

**a) 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 through the use of a major financial institution which has high credit quality as determined by the rating agencies. Accounts receivable mainly consists of receivables from its customers. In order 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 August 31, 2021, 14% 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 August 31, 2021 was \$3,107,350 (August 31, 2020 - \$7,720,780). The Company insures its non-government accounts receivable.

**b) 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 (note 21). The Company's financial liabilities are comprised of its trade payables, short-term loan, bonus payable, finance lease obligation, and salaries and benefits payable, the contractual maturities of which at August 31, 2021 and August 31, 2020 are summarized as follows:

	August 31, 2021	August 31, 2020
Payables with contractual maturities:		
Within 90 days or less	\$ 1,567,941	\$ 1,793,149
In later than 90 days, not later than one year	783,767	2,002,323
	\$ 2,351,708	\$ 3,795,472

**c) 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 rate. The Company has no significant exposure at August 31, 2021 to interest rate risk 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 August 31, 2021 to commodity price risk through its financial instruments.

**19. Financial Instruments (continued)**

**Financial Instrument Risk Exposure (continued)**

**c) Market Risk (continued)**

***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.

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

	August 31, 2021	August 31, 2020
Cash	\$ 1,697,681	\$ 538,191
Trade and other receivables	2,796,527	7,208,833
Trade and other payables and accrued liabilities	(1,620,361)	(1,941,883)
Lease liabilities	(343,257)	(419,235)
	<u>\$ 2,530,590</u>	<u>\$ 5,385,906</u>

Based on the above net exposure at August 31, 2021, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an approximately \$253,059 decrease or increase respectively in both net and comprehensive loss (August 31, 2020 – 538,591). The Company has not employed any currency hedging as at August 31, 2021.

**20. Management of Capital**

The capital managed by the Company includes a Line of Credit (note 11) and the components of shareholders' equity as described in the consolidated statements of shareholders' equity. During the year, the Company was subject to financial covenants related to its Lines of Credit. During the year ended August 31, 2021 and the August 31, 2020, the Company was in compliance with any required financial covenants.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of finance to fund the growth and development of its operations, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at August 31, 2021 remains fundamentally unchanged from the year ended August 31, 2020.

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**21. Segmented Information**

The Company operates in one segment in which it develops, manufactures, markets and sells high resolution mobile surveillance camera systems, which information is evaluated regularly by the Company's President and Chief Executive Officer, being the chief operating decision maker. Revenue is earned in two main regions, being Canada and United States. The following is a breakdown of revenue by geographic areas based on the customers' location:

<i>(expressed in Canadian dollars)</i>	<b>For the year ended August 31, 2021</b>			<b>For the year ended August 31, 2020</b>		
	<b>Canada</b>	<b>USA</b>	<b>Combined</b>	<b>Canada</b>	<b>USA</b>	<b>Combined</b>
<b>Revenues</b>	\$ 2,582,438	\$ 14,648,642	\$ 17,231,080	\$ 2,833,933	\$ 17,482,643	\$ 20,316,576
<b>Cost of Sales</b>	1,683,242	8,031,854	9,715,096	1,986,221	9,981,545	11,967,766
<b>Gross Profit</b>	899,196	6,616,788	7,515,984	847,712	7,501,098	8,348,810
<b>Operating Expenses</b>						
Interest expense (note 17a)	115,530	21,813	137,343	113,472	26,128	139,600
Depreciation expense (note 17a)	204,216	155,165	359,381	204,240	158,623	362,863
Other General & administrative (note 17a)	2,187,822	421,904	2,609,726	1,765,843	369,603	2,135,446
Selling and marketing (note 17b)	1,826,647	51,019	1,877,666	2,034,983	28,324	2,063,307
Research and development (note 17c)	1,818,235	-	1,818,235	1,594,836	-	1,594,836
	6,152,450	640,901	6,802,351	5,713,374	582,678	6,296,052
	\$ (5,253,254)	\$ 5,966,887	\$ 713,633	\$ (4,865,662)	\$ 6,918,420	\$ 2,052,758
<b>Other Income (Expenses)</b>						
Interest	4,073	-	4,073	22,575	-	22,575
Canada emergency wage subsidy	-	-	-	247,086	-	247,086
Foreign exchange	(256,042)	-	(256,042)	(180,954)	-	(180,954)
Finance costs	-	(140)	(140)	(23,816)	(141)	(23,957)
Write-down of Inventory	(24,751)	-	(24,751)	(7,685)	-	(7,685)
Disposal of assets	-	-	-	-	(1,599)	(1,599)
<b>Net income (loss) before Income Taxes</b>	(5,529,974)	5,966,747	436,733	(4,808,456)	6,916,680	2,108,224
Income tax expense	(316,000)	-	(316,000)	1,471,000	-	1,471,000
<b>Net Income (Loss)</b>	(5,845,974)	5,966,747	120,773	(3,337,456)	6,916,680	3,579,224
<b>Other Comprehensive Income</b>						
Foreign currency translation differences	-	(12,705)	(12,705)	-	(44,217)	(44,217)
<b>Net comprehensive income (loss)</b>	\$ (5,845,974)	\$ 5,954,042	\$ 108,068	\$ (3,337,456)	\$ 6,872,463	\$ 3,535,007
<b>Current Assets</b>	4,878,746	6,775,037	11,653,783	\$ 2,560,263	\$ 9,713,455	\$12,273,718
<b>Property, plant and equipment</b> (note 9)	691,706	545,592	1,237,298	820,859	683,727	1,504,586
<b>Goodwill</b> (note 8)	-	144,119	144,119	-	\$ 152,633	\$ 152,633

**22. Related Party Transactions**

The Company's related parties include its subsidiaries, key management personnel and companies related by way of directors or 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

	August 31, 2021	August 31, 2020
Salaries and short-term benefits	\$ 1,297,224	\$ 706,820
Share-based payment	5,023	24,839
	\$ 1,302,247	\$ 731,659

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

b) Trade Related Party Transactions

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

	August 31, 2021	August 31, 2020
Chief Executive Officer	\$ 332,633	\$ 44,266
Directors	5,118	3,000
Vice Presidents	39,089	66,542
	\$ 376,840	\$ 113,808

Amounts due from and to related parties have been included in trade and other receivables and trade and other payables, respectively (notes 6 and 12).

c) Other Related Party Transactions

On September 1, 2020, the Company entered in a new employment contract with the Chief Executive Officer. As a result of this, a bonus in the amount of \$1,400,000 is payable to the Chief Executive Officer over the following five years. There are no set terms of payment besides the five year time frame, and will be paid at the discretion of the Chief Executive Officer. No portion of the bonus has been paid as at August 31, 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.

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 \$3,428 during the year ended August 31, 2021.

The Company had agreed to pay the Chief Executive Officer an annual fee of US\$18,750 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 period ended August 31, 2020, the Company terminated this agreement and made a final payment of \$1,297 CDN to the related party.



**23. Commitments and Contingencies**

As of August 31, 2021, the Company's contractual obligations and contingencies are as follows:

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 (note 18).

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 (note 18).

**24. Supplemental Cash Flow Information**

	August 31, 2021	August 31, 2020
Cash paid during the year for:		
Interest payments	131,953	134,210
Non-cash investing and financing transactions:		
Initial recognition of right of use asset	\$ 11,945	\$ 996,880
Stock options exercised	91,812	91,472
Shares issued for bonus payable	-	135,000