GATEKEEPER

GATEKEEPER SYSTEMS INC.

Management's Discussion and Analysis

For the Six Months Ended February 28, 2023

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General

This Management's Discussion and Analysis ("MD&A") has been prepared as of April 19, 2023, and should be read in conjunction with the Company's February 28, 2023 unaudited condensed interim consolidated financial statements with accompanying notes 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, 2022 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. (the “US Subsidiary”).

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 school buses, transit buses and trains with over 100,000 video devices and approximately 47,000 intelligent mobile data collectors which form 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 provides Artificial Intelligence (AI) solutions to support reliable video evidence collection and believes that AI is an important component within vehicle video safety and security. The Company’s video management and video analytics software may be used in mobile or desktop applications 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 its US Subsidiary in Bristol, Pennsylvania which is its service center for major transit customer the Southeastern Pennsylvania Transportation Authority and school customer the School District of Philadelphia. The US Subsidiary 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 US customers are assembled in Bristol, Pennsylvania to comply with “Buy America” requirements and mitigate the impacts of US trade tariffs.
The US Subsidiary 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

In 2021, the US 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 pursuing these opportunities accordingly.

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.

Mobile Wi-Fi - provides 4G or 5G internet connectivity for students and authorized users while the bus is transporting students or while the bus is parked in a neighborhood for the purpose of providing internet access to students who do not have suitable connectivity at home.

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.

School bus safety is a growing concern due to the rise of vehicles illegally passing school buses while stopped. In the United States, The National Association of State Directors of Pupil Transportation Services (NASDPTS) conducts an annual survey of stop-arm violations. In a press release dated September 8, 2022, NASDPTS states: “In the survey, 79,859 school bus drivers reported that 51,593 vehicles passed their buses illegally on a single day during the 2021-22 school year. Given the lower number of drivers participating this year versus our 2019 survey, we think it is helpful to compare the years. Adjusting for 100% of the school bus drivers in the U.S., we would have seen just over 232,000 illegal passings in both 2019 and 2022. Throughout a 180-day school year, these sample results point to more than 41.8 million violations per year among America’s motoring public.”

To address this concern the Company developed Student Protector which is an advanced video-based system for recording school bus stop-arm violations. The system includes digital recorders, up to 10-megapixel cameras for multi-lane high-speed license plate capture, GPS location, and wireless network compatibility for remote downloading. Student Protector utilizes AI and video analytics to automatically identify and record incidents and uses the Company’s proprietary cloud-based application to provide automated video analysis and pre-formatted incident reports that can be used by enforcement agencies. Several states and provinces have recently authorized the use of video and photo evidence for issuing citations as a method to deter this dangerous practice.

The Company has also 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.

During 2022, the Company developed Mobile WiFi to allow students and authorized users to connect their WiFi-enabled devices to the Internet when the school bus or vehicle is in motion or parked to provide a community Internet access point. The Mobile WiFi access point is mounted in the vehicle and is specially designed to operate in the extreme temperature range found on school buses. Mobile WiFi data is routed through the school's firewall and content filters to ensure a safe Internet experience for students. A report by Common Sense Media and the Boston Consulting Group shows that in the United States between 15 and 16 million K-12 school age children (approximately 30%) do not have access to adequate internet or devices to sustain effective distance learning at home. Of those, around 9 million have neither internet access nor devices.

High back seats on school buses are becoming increasingly popular for safety reasons and are mandated in many 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 Gatekeeper's comprehensive suite of school bus video and data offerings for the complete fleet of school buses. For example, in August 2022, the Company announced a $1.2 million contract with an existing school district customer in Tennessee to upgrade its entire 390 school bus fleet to Gatekeeper's new suite of offerings. In November 2022, the Company announced a $1.9 million contract with an existing school district customer in Florida for a full-fleet upgrade. Gatekeeper has well-established relationships with school districts throughout North America and has installed approximately 47,000 wireless enabled intelligent mobile data collectors and more than 100,000 video devices on school buses for more than 3,500 school district customers.

Transit Segment

The Company designs, installs, and services intelligent video and data solutions for the transit industry. These solutions allow cities to improve passenger safety and operational efficiencies. Transit agencies throughout North America may consider enabling video enforcement solutions to enforce moving and parking violations in designated transit lanes in effort to keep buses on schedule. For example, in California on January 1, 2022, AB 917 became law and enables public transit operators state-wide to install automated forward-facing cameras on transit vehicles to enforce parking violations in bus lanes, and at designated transit stops.

In June 2021, the Company launched its AI-enabled Automated Lane Enforcement (ALE ™) solution which is designed to help cities reduce transit lane violations by automating the video evidence capture and processing vehicle infractions relating to bus lanes and streetcars. ALE uses video analytics and Artificial Intelligence to identify instances in which vehicles are violating transit lane traffic laws, including specialized applications such as vehicles that partially obstruct the bus lane, vehicles in the bus lane that signal a legal right-hand turn but illegally continue to drive straight, and vehicles that pass a streetcar when passengers are boarding or deboarding. ALE records the video evidence, captures the vehicle license plate, and prepares the instance for review and ticketing using the Company's proprietary Traffic Infraction Management System (TIMS) software. ALE builds on nearly a decade of experience within the Company using video analytics to identify, capture evidence and ticket vehicles that illegally pass stopped school buses.

The Company has been active in the transit industry since March 2018, when it acquired business assets of a mobile video surveillance service provider to the transit industry and the assignment of contracts relating to mobile video surveillance products, support, and maintenance to the Southeastern Pennsylvania Transportation Authority ("SEPTA"). SEPTA is the sixth largest public transportation system in the US 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.

The US Subsidiary provides annually recurring vehicle video system maintenance services for SEPTA's approximately 3,000 vehicles under a US$1.8 million annually recurring contract which was first announced in October 2019 for an initial three-year period plus two one-year extension options. In July 2022, the Company announced it was awarded the first of these two one-year extension options.

The Company has also been contracted to provide factory-installed video solutions for transit buses at the place of manufacture such as New Flyer of America. 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 US Subsidiary 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.

In November 2021 the US$1.2 trillion Bipartisan Infrastructure Deal (BID) was signed in the United States. Following the signing of the BID, the U.S. Department of Transportation's Federal Transit Administration announced key priorities and historic funding amounts for public transportation. The BID authorizes up to US$108 billion, including US$91 billion in guaranteed funding for public transportation – the most significant federal investment in transit in the nation's history. Key priorities for public transportation under the BID include safety programs, modernization of transit infrastructure, transit vehicle replacement to greener vehicles, and equity investment to improve transit accessibility. The Company believes this federal investment in transit presents significant future business opportunity for the Company's expanding suite of transit offerings.

The Company's strategic decision in 2018 to pursue transit as an additional industry vertical has resulted in the launch of new proprietary products and contributed more than $30 million in additional revenue to the Company as expressed within the following announcements:

- April 2018 - $1.7 million contract with SEPTA;
- November 2018 – Contract with NFI Group to equip 335 diesel-electric hybrid transit buses;
- February 2019 - $2 million contract with SEPTA;
- August 2019 – Contract to equip SEPTA paratransit buses;
- October 2019 – $6.3 million contract to supply NTSB compliant digital video recorders on trains;
- October 2019 – $11.8 million contract over 5 years for video services for SEPTA's 3,000 transit vehicles;
- June 2020 – Contract for factory-installed video solutions by US-based transit bus manufacturer;
- November 2020 – Completion of $6.3 million contract for NTSB compliant recorders on trains;
- June 2021 – Launch of Automated Lane Enforcement (ALE) solution for transit bus lane violations;
- March 2022 – $0.9 million in contracts for transit bus wireless data connectivity and server upgrades;
- May 2022 - $5.08 million SEPTA transit video upgrade contract;
- July 2020 - SEPTA services contract extension;
- December 2022 - $4.0 million SEPTA transit video upgrade contract.

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.

The Company offers **AI Dash Cam**, which is an AI-based dash camera that uses proprietary video analytics to provide Driver Status Monitor (DSM) and Advanced Driver Assistance Systems (ADAS) functions which detect and alert various driving events and unsafe driving behavior. It is equipped with both a forward-facing and driver-facing camera, GPS, and supports real time local driver notifications. When connected to Gatekeeper's G4 Enterprise server utilizing cellular, live streaming and previously recorded events are available which enables real time coaching, remote viewing, event analysis, and long-term storage. 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 and through effective collection and management of video evidence, SEPTA identifies savings of approximately US$22 million per year in liability claims, which had historically cost more than US$40 million per year.

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 Activity

The Company's sales backlog continues to remain strong, and the Company is actively working on several sales contracts and competitive bids. The Company's PaaS platform sales initiative is increasing revenues on a per bus/train basis since PaaS offers a larger suite of products and services that are of importance to the customer. The increasing industry need for live video monitoring over wireless networks is helping create a paradigm shift relating to how customers access evidence recorded by the Company's mobile data collectors. The combination of new wireless trends and fleet upgrades to new electric buses strengthens the Company's market positioning to take advantage of future growth in a burgeoning mobile video space. The Company has witnessed significant growth in both the school and transit markets and is forging relationships with OEM's which allow the Company to integrate its PaaS platform as a factory install on new buses and trains. The Company has engaged in discussions with four of the six largest international train manufacturers and has established relationships with several OEM's in the transit industry.

Future Development and Deployment

During 2021, US federal funding commitments for over US$100 billion were announced for both the transit and school industries, which are the primary business segments the Company serves. This is the largest federal funding assistance these industries have ever received. The Company is pursuing the opportunities that lie ahead in these industries by increasing investment in marketing and sales as well as research and development.

The Company has also increased 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

(in Canadian dollars, except where noted)

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 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 continues to design and manufacture 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. The Company's 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.

The Company's video and data solutions can also be expanded to other niche markets and industries, such as transport and first responder applications. For example, 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. These technology solutions, which have already been developed, can be deployed in other new industries where customers can equip themselves with tools to detect, analyze, and respond to safety and security threats, and to reduce losses arising through false liability claims.

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, 2022	August 31, 2021	August 31, 2020	August 31, 2019
Revenue	**$ 20,031,288**	$ 17,231,080	$ 20,316,576	$ 13,726,313
Cost of Sales	**$ 10,722,475**	$ 9,715,096	$ 11,967,766	$ 7,622,185
Gross Profit	**$ 9,308,813**	$ 7,515,984	$ 8,348,810	$ 6,104,128
Gross Margin Percentage	***46%***	*44%*	*41%*	*44%*
Expenses	**$ 8,244,400**	$ 7,922,351	$ 6,296,052	$ 6,482,996
Operating Income (Loss)	**$ 1,064,413**	$ (406,367)	$ 2,052,758	$ (378,868)
Comprehensive Income (Loss)	**$ 1,929,180**	$ (1,011,932)	$ 3,535,007	$ (285,827)

(in Canadian dollars, except where noted)

Earnings (Loss) per share –				
Basic	**$ 0.02**	$ (0.01)	$ 0.04	$ (0.00)
Diluted	**$ 0.02**	$ (0.01)	$ 0.04	$ (0.00)
Total Assets	**$ 23,016,204**	$ 14,401,634	$ 15,601,937	$ 9,249,093
Total Non-Current Liabilities	**$ 1,578,025**	$ 1,790,287	$ 815,395	$ 101,608
Total Liabilities	**$ 10,470,109**	$ 4,421,803	$ 4,764,064	$ 2,331,195
Total Shareholders' Equity	**$ 12,546,095**	$ 14,401,634	$ 10,837,873	$ 6,917,898

Overall Financial Performance

Company revenue for the three and six months ended February 28, 2023 was $9,685,773 and $14,570,831 respectively, compared to $3,104,308 and $5,803,897, respectively, for the three and six months ended February 28, 2022, representing an increase of 212% and 151% respectively.

Revenue is earned in two main regions, being Canada and United States. Total revenue earned for the six months ended February 28, 2023 in Canada was $1,034,091 (2022 - $385,668) and total revenue earned in the United States was $13,536,740 (2022 - $5,418,229).

Cost of sales for the three and six months ended February 28, 2023 was $5,140,194 and $8,479,134, respectively, compared to $2,123,197 and $3,103,347 for the same prior year comparable periods, representing an increase in direct costs of 142% and decrease of 173%, respectively.

Gross margin for the three months and six months ended February 28, 2023 was $4,545,579 and $6,091,697, respectively, compared to $981,111 and $2,700,550 for the same prior year comparable periods, representing an increase in gross margin of 363% and 126%, respectively. Gross margin as a percentage of revenue for the three and six months ended February 28, 2023 was 47% and 42%, respectively, compared to 32% and 47% for the same prior year comparable periods. The cost of sales comprises primarily materials and components, manufacturing labour, inventory write-off, warranty expenses, freight and shipping, and other selling costs. Gross profit in the Company's core product sales business was negatively impacted by the implementation of US tariffs on products manufactured in China and imported into the US. New operational strategies are being implemented to mitigate the impacts of the new tariffs.

Overall operating expenses for the three and six months ended February 28, 2023 was $2,404,408 and $4,569,129, respectively, as compared to $1,953,505 and $3,656,644 for the same prior year comparable periods representing an increase in operating expenses of 23% and 25%, respectively. Operating expenses increased in the current period due to an increase in selling and marketing expenses and an increase in research and development costs associated with new product development.

Total comprehensive income for the three and six months ended February 28, 2023 was $1,865,904 and $1,779,890, compared to total comprehensive loss of $666,208 and $483,115 for the same prior year comparable periods. During the three months ended February 28, 2023, deferred income tax expense was recognized in the amount of $186,000 (2022 - $391,000 income tax recovery).

Selected Quarterly Information

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

	F2021-Q3 31-May 2021	**F2021-Q4 31-Aug 2021**	**F2022-Q1 30-Nov 2021**	**F2022-Q2 28-Feb 2022**	**F2022-Q3 31-May 2022**	**F2022-Q4 31-Aug 2022**	**F2023-Q1 30-Nov 2022**	**F2023-Q2 28-Feb 2023**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	3,831,373	5,142,941	2,699,589	3,104,308	4,388,520	9,838,871	4,885,058	9,685,773
Gross Profit	1,853,029	2,291,649	1,719,439	981,111	1,810,596	4,797,667	1,546,118	4,545,579
Gross Profit	48%	45%	64%	32%	41%	49%	32%	47%
Expenses	1,708,948	3,509,557	1,703,139	1,953,505	2,129,518	2,458,238	2,164,721	2,404,408

(in Canadian dollars, except where noted)

Comprehensive Income (Loss)	(42,393)	(870,031)	183,093	(666,208)	(317,760)	2,730,055	(86,014)	1,865,904
EPS (Basic)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	0.02	(0.00)	0.02
EPS (Diluted)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	0.02	(0.00)	0.02
Assets	13,911,315	14,401,634	16,061,901	15,823,229	17,806,191	23,016,204	16,453,995	18,303,587
Liabilities	3,051,923	4,421,803	4,741,253	4,846,086	6,951,808	10,470,109	4,002,594	3,938,642
Shareholder's Equity	10,859,392	9,979,831	11,320,648	10,977,143	10,854,383	12,546,095	12,451,401	14,364,945

Outlook

According to MarketsAndMarkets Research report, the Mobile Video Surveillance Market by Offering (Hardware, Software, Service), Application (Railways, Buses, Transport Vehicles, Police Vehicles, Drones), Vertical (Law Enforcement, Transportation, Industrial) and Geography - Global Forecast to 2027, is expected to grow from US$2.4 billion in 2022 to reach US$3.6 billion by 2027 at an expected CAGR growth of 8.7% during the forecast period. North America is expected to account for a dominant share of the market.

Mobile security cameras help ensure security in buses and railways and improve the customer experience for visitors and passengers. The market for mobile video surveillance services is expected to have the highest CAGR during the forecast period because of growth in modern system integration capabilities for various software and service applications, such as people counting, facial recognition, and number plate recognition. External recorded video analytics can provide important insights into events or activities across several verticals, and various cloud capabilities fulfill the varying requirements of end users, hence driving the high growth in the mobile video surveillance service market.

The US plays a vital role in the growth of the mobile video surveillance market as it is the most advanced in the technological market. Currently, IP surveillance systems are leading the market in the US due to the increasing criminal activities and border trespassing, which, in turn, has resulted in the high adoption of intelligent surveillance systems. The mobile video surveillance market in the US is expected to grow consistently. Smart transportation deployments in the country, such as automated speed camera enforcement and automatic toll collection systems, will increase the demand for mobile video surveillance solutions & services, such as license plate recognition and vehicle speed detection cameras, fueling the market size and growth.

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 PaaS platform is centered around the intelligent video devices that the Company is actively installing for transit authorities on multiple transportation modes. For example, the Company recently launched the AI Dash Cam as an additional video analytics offering on the PaaS platform. The Company has installed approximately 47,000 intelligent mobile data collectors for over 3,500 school district customers throughout North America. The PaaS platform becomes the foundation of the Company's strategy to evolve to become a data company.

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 potholes, 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, 2023, the Company had cash and cash equivalents of $1,194,540 and working capital of $12,233,848, compared to $2,604,229 and $11,196,838 respectively at August 31, 2022.

Cash provided by operating activities was $1,893,635 for the six months ended February 28, 2023, as compared to cash used of $2,602,133 during the six months ended February 28, 2022, which was primarily related to the decrease in accounts receivables during the current period.

Cash used through investing activities was $76,280 for the six months ended February 28, 2023, as compared to $31,258 during the six months ended February 28, 2022, which was primarily related to the purchase of property, plant and equipment during the current period.

Cash flows used by financing activities during the six months ended February 28, 2023 was $3,221,791 as compared to cash provided of $2,056,266 during the six months ended February 28, 2022, primarily due to the repayments on the line of credit during the current period.

On July 23, 2020, the Company entered a $3,000,000 revolving credit facility with Toronto Dominion Bank, which was increased to $6,000,000 on April 29, 2022 (the "**Credit Facility**"). The Credit Facility bears 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, 2023 there was $504,478 owing under the Credit Facility (August 31, 2022 - $3,536,593).

The Company had cash and cash equivalents of $1,194,540 at February 28, 2023 (August 31, 2022 – $2,604,229), 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 $8 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.

(in Canadian dollars, except where noted)

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, 2023, 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.

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, 2023, the Company had 91,399,395 common shares issued and outstanding, nil Class A preferred shares outstanding.

	Common Shares
Balance – August 31, 2022	91,399,395
Balance – February 28, 2023	91,399,395

During the year ended August 31, 2022, 1,095,500 options were exercised between $0.11 and $0.40 for gross proceeds of $371,950. The options exercised had a fair value of $111,523, which has been reclassified from Reserves to Share Capital.

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, 2023, were as follows:

	Weighted average exercise price	**Number of Options**
Balance – August 31, 2021	$0.25	7,540,750
Options granted	$0.39	2,325,000
Options cancelled	$0.87	(760,000)
Options exercised	$0.34	(1,095,500)
Balance – August 31, 2022 and February 28, 2023	$0.22	8,010,250

(in Canadian dollars, except where noted)

During the year ended August 31, 2022, the Company granted 1,100,000 stock options at $0.385 for a term of 5 years, and granted 1,125,000 stock options at $0.40 for a term of 2 years, and granted 100,000 stock options at $0.40 for a term of 5 years.

The weighted average fair value of the options granted during the year ended August 31, 2022 was estimated at $0.17 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, 2023	August 30, 2022
Risk free interest rate	-	1.57%
Expected life	-	5
Expected volatility	-	76.9%
Expected dividend per share	-	-

Incentive share options outstanding and exercisable at February 28, 2023 are summarized as follows:

	Options Outstanding			**Options Exercisable**		
Exercise Price	**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	5.72	$0.105	200,000	5.72	$0.105
$0.11	300,000	1.34	$0.11	300,000	1.34	$0.11
$0.12	1,150,000	4.75	$0.12	1,150,000	4.75	$0.12
$0.12	200,000	0.26	$0.12	200,000	0.26	$0.12
$0.12	980,000	1.42	$0.12	980,000	1.42	$0.12
$0.13	500,000	3.18	$0.13	500,000	3.18	$0.13
$0.16	75,000	2.05	$0.16	75,000	2.05	$0.16
$0.195	718,750	3.41	$0.195	718,750	3.41	$0.195
$0.25	1,440,000	0.09	$0.25	1,440,000	0.09	$0.25
$0.25	25,000	0.26	$0.25	25,000	0.26	$0.25
$0.30	277,000	0.54	$0.30	277,000	0.54	$0.30
$0.135	500,000	2.10	$0.135	500,000	2.10	$0.135
$0.87	90,000	3.12	$0.87	-	-	-
$0.385	1,100,000	3.93	$0.385	600,000	3.93	$0.385
$0.40	354,500	0.99	$0.40	354,500	0.99	$0.40
$0.40	100,000	4.26	$0.40	-	-	-
	8,010,250	2.42	$0.22	7,320,250	2.42	$0.19

During the six months ended February 28, 2023, the Company recorded total share-based payments of $69,390 (2022 – $183,477) which has been charged to general and administrative expenses for the period. The share-based payments expense was in respect of the vesting of stock options.

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.

(in Canadian dollars, except where noted)

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, 2023, 2% of the Company's trade accounts receivable balance is over 90 days past due (August 31, 2022 – 30%). The carrying amount of trade and other receivables as at February 28, 2023 was $6,784,532 (August 31, 2022 - $8,629,697). 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, 2023 and August 31, 2022 are summarized as follows:

	February 28, 2023	August 31, 2022
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	$ 1,745,383	$ 3,262,811
In later than 90 days, not later than one year	1,033,913	5,366,886
	$ 2,779,297	$ 8,629,697

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, 2023 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, 2023 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, 2023 and August 31, 2022:

	February 28, 2023	August 31, 2022
Cash and cash equivalents	$ 1,194,540	$ 2,167,930
Trade and other receivables	6,784,532	8,227,864
Trade and other payables and accrued liabilities	(1,111,209)	(4,079,458)
Finance lease obligation	(851,417)	(286,960)
	$ 6,016,446	$ 6,029,376

Based on the above net exposure at February 28, 2023, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately $601,645 decrease or increase respectively in both net and comprehensive loss (August 31, 2022 – $602,938). The Company has not employed any currency hedging programs during the period ended February 28, 2023.

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, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Salaries and short-term benefits	$ 1,476,438	$ 525,085	$ 1,738,435	$ 762,127
Share-based payments	-	-	-	-
	$ 1,476,438	$ 525,085	$ 1,738,435	$ 762,127

(in Canadian dollars, except where noted)

(b) Trade Related Party Transactions

The amounts due to related parties as at February 28, 2023 and August 31, 2022 are as follows:

	February 28, 2023	**August 31, 2022**
Chief Executive Officer	$ -	$ 1,154,992
Directors	1,846	5,000
Vice Presidents	117,214	176,930
	$ 119,060	$ 1,336,922

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

(c) Other Related Party Transactions

On September 1, 2020, the Company entered into an amended employment agreement with the Chief Executive Officer if the Company pursuant to which the CEO is to be awarded a bonus in the amount of $1,400,000, which was accrued during the year ended August 31, 2021. The bonus is to be paid out in installments over a period of five years at the CEO's discretion. As at February 28, 2023, the bonus was paid in full, and as at February 28, 2023, $Nil remains as a bonus payable.

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, which was extended for one additional year. During the year ended August 31, 2022, the loan was repaid in full.

Outstanding Share Data

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

	Common Shares	**Stock Options**
Balance, February 28, 2023	91,399,395	8,010,250
Balance, April 19, 2023	91,399,395	8,010,250

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.

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.

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.

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.

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.

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, 2022 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.

Current and Deferred Income Taxes

Current and deferred 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.

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.

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.

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.

Recovery of Goodwill

The Company evaluates the carrying values of the CGU's goodwill on an annual basis in the fourth quarter of each year to determine whether or not impairment of these assets has occurred and whether write-downs of the value of these assets are required. Similarly, the Company evaluates the carrying value of CGUs with long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, and at each reporting date. These impairment tests require the determination of recoverable amounts which include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use or fair value less costs of disposal calculations. Actual results could differ from these assumptions and estimates.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, but are not allocated above the operating segment level at which management monitors the recovery of goodwill.

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.

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, 2023 of $5,022,420. 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 and there may not be enough chips, 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 including cyber security 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 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 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 continue to be impacted 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. 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. Included in such regulations is the National Defense Authorization Act (NDAA), Section 889 compliance explicitly prohibits United States federal entities, recipients of grants or loans, and contractors from using equipment or products banned by the United States. 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 US Subsidiary, would have been known to them as of February 28, 2023.

As well, as of February 28, 2023, 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 period ended February 28, 2023, 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.