GATEKEEPER

GATEKEEPER SYSTEMS INC.

Consolidated Financial Statements

For the Years Ended August 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gatekeeper Systems Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gatekeeper Systems Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2023 and August 31, 2022 and the consolidated statements of income and comprehensive income, statements of cash flows and statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2023 and August 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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

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

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

Buckley Dodds

Vancouver, British Columbia
December 28, 2023

Buckley Dodds CPA
Chartered Professional Accountants

GATEKEEPER SYSTEMS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(expressed in Canadian dollars)

	August 31, 2023	August 31, 2022
ASSETS		
Current Assets		
Cash (note 5)	$ 4,110,859	$ 2,604,229
Trade and other receivables (note 6)	4,994,819	8,629,697
Inventories (note 7)	5,947,198	8,490,594
Prepaid expenses and other current assets	443,062	364,402
Loan receivable (note 22)	1,149,045	-
Income tax receivable	94,395	-
	16,739,378	20,088,922
Non-Current Assets		
Property, plant and equipment (note 9)	1,052,842	1,179,904
Intangible asset (note 10)	9,801	10,618
Goodwill (note 8)	154,558	149,760
Deferred tax asset (note 18)	1,653,000	1,587,000
Total Assets	**$ 19,609,579**	**$ 23,016,204**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Line of credit (note 11)	$ -	$ 3,536,593
Trade and other payables and accrued liabilities (note 12)	1,676,180	4,807,812
Bonus payable (note 22)	1,320,000	280,000
Lease obligations – current (note 13)	187,764	189,618
Unearned revenue	120,883	78,061
	3,304,827	8,892,084
Non-Current Liabilities		
Bonus payable – long term (note 22)	-	840,000
Lease obligations – long term (note 13)	561,851	738,025
Total Liabilities	3,866,678	10,470,109
Shareholders' Equity		
Share capital (note 14)	17,115,151	17,003,700
Other capital reserves (notes 15 and 16)	2,487,598	2,289,321
Accumulated other comprehensive loss	81,836	6,208
Deficit	(3,941,684)	(6,753,134)
	15,742,901	12,546,095
Total Liabilities and Shareholders' Equity	**$ 19,609,579**	**$ 23,016,204**

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

APPROVED ON BEHALF OF
THE BOARD OF DIRECTORS

"David Stumpo"	***"Douglas Dyment"***
(signed)	*(signed)*
Director	**Director**

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

GATEKEEPER SYSTEMS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED AUGUST 31, 2023 AND AUGUST 31, 2022

(expressed in Canadian dollars)

	August 31, 2023	August 31, 2022
Revenues	**$ 27,848,838**	$ 20,031,288
Cost of Sales	15,305,444	10,722,475
Gross Profit	12,543,394	9,308,813
Operating Expenses		
General and administrative (note 17a)	4,192,800	3,656,677
Selling and marketing (note 17b)	3,362,491	2,511,243
Research and development (note 17c)	2,295,996	2,076,480
	9,851,287	8,244,400
Operating Profit	2,692,107	1,064,413
Other Income (Expenses)		
Interest	51,642	9,631
Foreign exchange	200,666	414,077
Finance costs	(142)	(382)
Write-down of inventory	(72,851)	(44,554)
Net income before income taxes	2,871,422	1,443,185
Current income tax (expense) recovery (note 18)	(125,972)	-
Deferred income tax (expense) recovery (note 18)	66,000	
Net income (loss)	2,811,450	1,875,185
Other Comprehensive Income		
Foreign currency translation differences	75,628	53,995
Total Comprehensive Income	**$ 2,887,078**	$ 1,929,180
Basic income per share	**$ 0.03**	$ 0.02
Weighted Average Number of Shares Outstanding	91,483,196	90,883,613
Diluted income per share	**$ 0.03**	$ 0.02
Weighted Average Number of Shares Outstanding	93,747,836	94,989,201

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

GATEKEEPER SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND AUGUST 31, 2022

(expressed in Canadian dollars)

	August 31, 2023	August 31, 2022
Cash Flows from Operating Activities		
Net income	$ 2,811,450	$ 1,875,185
Items not affecting cash from operations:		
Interest on lease liability	44,913	47,153
Interest on loan receivable	(29,045)	-
Depreciation	374,049	365,110
Amortization – intangible assets	817	817
Share-based payments	232,928	265,134
Deferred tax expense (recovery)	(66,000)	(432,000)
Write off of inventory	72,852	-
Unrealized foreign exchange loss (gain)	(369,200)	(437,625)
Changes in non-cash working capital balances related to operations:		
Trade and other receivables	6,052,557	(9,009,791)
Inventories	2,712,042	(3,542,845)
Prepaid expenses and other current assets	(73,785)	(97,632)
Income tax receivable	(94,074)	6,892
Trade and other payables and accrued liabilities	(5,371,712)	16,293,030
Bonus payable	200,000	-
Unearned revenue	40,196	69,784
Net cash provided by (used in) operating activities	6,537,988	(4,596,788)
Cash Flows used in Investing Activities		
Purchase of property, plant and equipment	(232,350)	(30,222)
Net cash provided by (used in) investing activities	(232,350)	(30,222)
Cash Flows used in Financing Activities		
Draws (repayment) - line of credit	(3,536,593)	3,536,593
Exercise of stock options	76,800	371,950
Loan receivable	(1,120,000)	200,000
Lease payments	(232,289)	(204,372)
Net cash provided by (used in) financing activities	(4,812,082)	3,624,171
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents held in USD	14,074	6,034
Increase (Decrease) in Cash and Cash Equivalents	1,506,630	(996,805)
Cash and Cash Equivalents – Beginning of year	2,604,229	3,601,034
Cash and Cash Equivalents – End of year	$ 4,110,859	$ 2,604,229

Supplemental Cash Flow Information (note 24)

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

GATEKEEPER SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

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

	Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – August 31, 2021	90,303,894	$ 16,520,226	$ 2,135,711	$ (47,787)	$ (7,705,319)	$ 11,099,831
Exercise of options	1,095,500	483,474	(111,524)	-	-	371,950
Share-based payments (note 16)	-	-	265,134	-	-	265,134
Foreign currency translation	-	-	-	53,995	-	53,995
Net income	-	-	-	-	1,875,185	1,875,185
Balance – August 31, 2022	91,399,395	$ 17,003,700	$ 2,289,321	$ 6,208	$ (6,753,134)	$ 12,546,095

	Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – August 31, 2022	91,399,395	$ 17,003,700	$ 2,289,321	$ 6,208	$ (6,753,134)	$ 12,546,095
Exercise of options	423,500	111,451	(34,651)	-	-	76,800
Share-based payments (note 16)	-	-	232,928	-	-	232,928
Foreign currency translation	-	-	-	75,628	-	75,628
Net income	-	-	-	-	2,811,450	2,811,450
Balance – August 31, 2023	91,822,895	$ 17,115,151	$ 2,487,598	$ 81,836	$ (3,941,684)	$ 15,742,901

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

1. Description of Business and Nature of Operations

Gatekeeper Systems Inc. (the “Company” or “Gatekeeper”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on August 26, 2010 and completed its initial public offering as a Capital Pool Company on January 7, 2011. The Company specializes in design, manufacturing and marketing of video security solutions for mobile and extreme environments.

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

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

The Company’s consolidated financial statements (the “financial statements”) as at August 31, 2023 and August 31, 2022 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a reported total comprehensive income of $2,887,078 for the year ended August 31, 2023 (August 31, 2022 – comprehensive income $1,929,180) and has a working capital of $13,434,551 at August 31, 2023 (August 31, 2022 – $11,196,838).

The Company had cash of $4,110,859 at August 31, 2023 (August 31, 2022 – $2,604,229), but management cannot provide assurance that the Company will maintain profitable operations or become cash flow positive or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended August 31, 2023. These consolidated financial statements were approved by the Board of Directors on December 28, 2023.

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

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

3. Summary of Significant Accounting Policies

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

(a) Basis of Consolidation

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

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

(b) Business Combinations

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

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

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

(c) Cash, Cash Equivalents and Restricted Cash

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

3. Summary of Significant Accounting Policies (continued)

(d) Goodwill

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

(e) Inventories

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

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

(f) Property, Plant and Equipment

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

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

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

3. Summary of Significant Accounting Policies (continued)

(f) Property, Plant and Equipment (continued)

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

(g) Leases

IFRS 16 – Leases. The scope of IFRS 16 includes leases of all assets, with certain exceptions. The Company adopted this standard effective September 1, 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

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

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. The Company elected to apply the effect of changes retrospectively with the cumulative effect of initially applying the standards recognized to retained earnings at the date of initial application which is September 1, 2019 (Note 13). The right-of-use assets are measured on adoption at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease recognized in the statement of financial position at adoption.

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

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

3. Summary of Significant Accounting Policies (continued)

(h) Provisions

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

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

(i) Revenue Recognition

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

Revenue Recognition on Product

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

Revenue Recognition on Installation and Service

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

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

(j) Research and Development Costs

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

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

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

3. Summary of Significant Accounting Policies (continued)

(k) Related Party Transactions

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

(l) Share-Based Payments

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

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

(m) Warrants

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

(n) Current and Deferred Income Taxes

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

(n) Current and Deferred Income Taxes (continued)

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

(o) Foreign Currencies

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

Transactions and balances

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

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

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

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

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

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

(p) Earnings or Loss Per Share

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

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

(q) Financial Instruments

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

3. Summary of Significant Accounting Policies (continued)

(q) Financial Instruments (continued)

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

Classification

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

Measurement

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

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

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

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

Offsetting financial assets and liabilities

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

Impairment of financial assets at amortized cost

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

3. Summary of Significant Accounting Policies (continued)

(q) Financial Instruments (continued)

Derecognition

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

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

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

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

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

4. Significant Accounting Judgments and Estimates

The preparation of the Company's condensed interim 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 year. 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 are as outlined below. Actual results may differ from those estimates and judgments.

4. Significant Accounting Judgments and Estimates (continued)

Significant Estimates

(a) Allowances for Doubtful Accounts

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

(b) Inventory Valuation

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

(c) Impairment of Financial Assets

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

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

(d) Warranty Provision

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

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

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

4. Significant Accounting Judgments and Estimates (continued)

Significant Estimates (continued)

(f) Leases

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

(g) Share-Based Payments

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

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

(h) Current and Deferred 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.

Significant Judgments

(a) Current and Deferred Taxes

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

(expressed in Canadian dollars except where noted)

4. Significant Accounting Judgments and Estimates (continued)

Significant Judgments (continued)

(b) Determination of Functional Currency

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

(c) Going Concern

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

(d) 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.

5. Cash and Cash Equivalents

	August 31, 2023	August 31, 2022
Cash	$ 4,110,859	$ 2,604,229

6. Trade and Other Receivables

	August 31, 2023	August 31, 2022
Trade receivables	$ 4,976,022	$ 8,628,321
GST receivable	18,317	-
Other receivable	480	1,376
	$ 4,994,819	$ 8,629,697

The Company has a general security agreement securing its line of credit, representing a first charge on all its present and future personal property. As at August 31, 2023, there was $Nil owing under the line of credit (August 31, 2022 - $3,536,593) and there was $Nil in trade receivables secured under the line (Note 11).

(expressed in Canadian dollars except where noted)

7. Inventories

	August 31, 2023	August 31, 2022
Raw materials	$ 427,690	$ 854,610
Finished goods	5,519,508	7,635,984
	$ 5,947,198	$ 8,490,594

For the year ended August 31, 2023, the cost of inventories recognized as an expense and included in cost of sales was $11,406,821 (August 31, 2022 - $7,390,730).

For the year ended August 31, 2023 a write-down of inventories of $72,852 (August 31, 2022 – $44,554, respectively) which was included in other income (expense) in the consolidated statements of income and comprehensive income.

As at August 31, 2023 there was $Nil owing under the line of credit (August 31, 2022 - $3,536,593), and there were $Nil inventories secured under the line (Note 11).

8. Goodwill

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

A goodwill of $154,558 (US$114,225) arising from the purchase was attributable to the marketing, sale and servicing of mobile video safety and security solutions in the United States. Goodwill, which is deductible for income tax purposes, is the excess of the cost of an acquired enterprise over the net amount assigned to individual assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is tested for impairment annually by comparing the fair value of the operating cash flows to the carrying value of the reporting unit.

As at August 31, 2023 the value of goodwill was $154,558 (August 31, 2022 - $149,760) and there was no impairment recorded for the years then ended.

(expressed in Canadian dollars except where noted)

9. Property, Plant and Equipment

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

Cost	Automotive	Computer Equipment and Software	Furniture and Fixtures	Right of Use Asset – Copier Lease	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Right of Use Asset – Automobile Leases	Right of Use Asset – Office Leases	Right of Use Asset – Forklift Lease	Total
August 31, 2021	$ 85,248	$ 657,856	$ 63,585	$ 15,909	$ 208,435	$ 60,525	$ 330,335	$ 114,508	$ 974,756	-	$ 2,511,157
Additions	-	22,990	-	-	7,217	-	-	-	249,343	16,984	296,534
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	3,336	9,144	547	-	1,152	-	5,894	4,484	14,659	539	39,755
August 31, 2022	$ 88,584	$ 689,990	$ 64,132	$ 15,909	$ 216,804	$ 60,525	$ 336,229	$ 118,992	$ 1,238,758	$ 17,523	$ 2,847,446
Additions	-	201,688	18,026	-	9,976	-	3,890	-	-	-	233,580
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	2,838	7,839	465	-	996	-	5,011	3,813	12,463	557	33,382
August 31, 2023	**$ 91,422**	**$ 899,517**	**$ 82,623**	**$ 15,909**	**$ 227,776**	**$ 60,525**	**$ 345,130**	**$ 122,805**	**$ 1,245,642**	**$ 18,808**	**$ 3,115,008**

Depreciation	Automotive	Computer Equipment and Software	Furniture and Fixtures	Right of Use Asset – Copier Lease	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Right of Use Asset – Automobile Leases	Right of Use Asset – Office Leases	Right of Use Asset – Forklift Lease	Total
August 31, 2021	$ 84,805	$ 354,319	$ 50,003	$ 6,353	$ 162,223	$ 56,719	$ 241,306	$ 60,365	$ 257,766	-	$ 1,273,859
Depreciation	445	115,812	7,721	2,389	23,861	1,087	32,121	23,614	154,215	4,455	365,720
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	3,334	11,435	467	-	(1,466)	1	4,381	3,089	5,336	1,386	27,963
August 31, 2022	$ 88,584	$ 481,566	$ 58,191	$ 8,742	$ 184,618	$ 57,807	$ 277,808	$ 87,068	$ 417,317	$ 5,841	$ 1,667,542
Depreciation	-	117,998	6,335	2,389	14,433	1,087	33,482	25,034	165,488	6,008	372,254
Foreign currency difference	2,838	4,714	2,232	-	536	-	3,911	2,875	5,056	208	20,299
August 31, 2023	**$ 91,422**	**$ 604,278**	**$ 66,758**	**$ 11,131**	**$ 199,587**	**$ 58,894**	**$ 315,201**	**$ 114,977**	**$ 587,861**	**$ 12,057**	**$ 2,062,166**

Net Book Value	Automotive	Computer Equipment	Furniture and Fixtures	Leased Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	ROU Asset - Leased Automobile	ROU Asset – Office Leases	Right of Use Asset – Forklift	Total
August 31, 2022	$ -	$ 208,424	$ 5,941	$ 7,167	$ 32,186	$ 2,718	$ 58,421	$ 31,924	$ 821,441	$ 11,682	$ 1,179,904
August 31, 2023	**$ -**	**$ 295,239**	**$ 15,865**	**$ 4,778**	**$ 28,189**	**$ 1,631**	**$ 29,929**	**$ 7,828**	**$ 663,360**	**$ 6,023**	**$ 1,052,842**

(expressed in Canadian dollars except where noted)

10. Intangible Asset

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

11. Line of Credit

On July 23, 2020, the Company entered into a $3,000,000 revolving line of credit (the "Credit Facility"), which was increased to $6,000,000 on April 29, 2022. 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 August 31, 2023, there was $Nil owing under the Credit Facility (August 31, 2022 - $3,536,593).

12. Trade and Other Payables and Accrued Liabilities

	August 31, 2023	August 31, 2022
Trade payables	$ 862,996	$ 4,160,809
Salaries and benefits payable	388,014	288,070
Provincial Sales Tax payable and State Sales Tax Payable	1,585	45
Accrued and other liabilities	348,283	285,577
Accrued warranty liabilities	75,302	73,311
	$ 1,676,180	$ 4,807,812

Included in trade and other payables and accrued liabilities are amounts of $152,161 (August 31, 2022 - $217,380) due to related parties (note 22).

The Company provides a one year, three year, five year, ten year, or lifetime warranty, depending on the product, to repair or replace defective components with respect to its product sales. The warranty provision in the consolidated statements of income and comprehensive income includes management's best estimate of the total costs of all raw materials, labour and travel expenses required to repair issues related to all products that were sold and shipped prior to period end.

(expressed in Canadian dollars except where noted)

13. Leases

The Company enters into lease arrangements for certain premises and equipment. The following table provides a continuity of the lease obligations for the Company for the year end August 31, 2023:

	Automobile Leases	Office Leases	Copier Lease	Forklift Lease	Total
	$	$	$	$	$
Balance, August 31, 2021	**49,855**	**754,112**	9,820	**-**	**813,787**
Modification/reassessment	-	249,342	-	-	249,342
Additions	-	-	-	16,984	16,984
Interest	2,680	43,669	503	301	47,153
Lease payments	(24,438)	(173,231)	(2,752)	(3,951)	(204,372)
FX Adjustment	(2,662)	6,984	-	427	15,707
Balance, August 31, 2022	**25,435**	**880,876**	**7,571**	**13,761**	**927,643**
Interest	746	43,461	371	335	44,913
Lease payments	(21,894)	(201,360)	(2,752)	(6,283)	(232,289)
FX Adjustment	(4,287)	13,215	-	420	9,348
Balance, August 31, 2023	**-**	**736,192**	**5,190**	**8,233**	**749,615**
Less: Current portion	**-**	**179,098**	**2,521**	**6,145**	**187,764**
Lease obligations – long term	**-**	**597,475**	**2,669**	**2,088**	**561,851**

See Note 10 – Property, Plant and Equipment of these financial statements for the Right of Use Assets of these leases.

The following table discloses the undiscounted cash flow for lease obligations as of August 31, 2023:

	Automobile Leases	Office Leases	Copier Lease	Forklift Lease	Total
Less than one year	$ -	$ 213,754	$ 2,752	$ 4,659	$ 221,165
One to five years	-	597,475	2,752	1,941	602,168
	$ -	$ 811,229	$ 5,504	$ 6,600	$ 823,333

14. Share Capital

(a) Authorized Share Capital

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

At August 31, 2023, the Company had 91,822,895 common shares outstanding (August 31, 2022 – 91,399,395), Nil Class A preferred shares outstanding (August 31, 2022 – Nil), Nil Class B preferred shares outstanding (August 31, 2022 – Nil) and, Nil Class C preferred shares outstanding (August 31, 2022– Nil).

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

(expressed in Canadian dollars except where noted)

14. Share Capital (continued)

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

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

(b) Issued Share Capital

During the year ended August 31, 2023, there were 423,500 options were exercised between $0.12 and $0.30 per share for gross proceeds of $76,800. The options exercised had a fair value of $34,651, which has been reclassified from Reserves to Share Capital.

During the year ended August 31, 2022, 1,095,500 options were exercised between $0.11 and $0.40 per share 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.

15. Warrants

There were no warrants issued and outstanding as at August 31, 2023 and 2022.

16. Share-Based Payments

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

The changes in stock options during the year ended August 31, 2023 were as follows:

	Weighted average exercise price	Number of Options
Balance – August 31, 2021	$0.25	7,540,750
Options cancelled	$0.87	(23,750)
Options granted	$0.39	850,000
Options exercised	$0.34	(928,750)
Balance – August 31, 2022	$0.22	8,010,250
Options expired	$0.28	(1,865,000)
Options granted	$0.41	2,235,000
Options exercised	$0.18	(423,500)
Balance – August 31, 2023	$0.26	7,956,750

(expressed in Canadian dollars except where noted)

16. Share-Based Payments (continued)

During the year ended August 31, 2023, the Company recorded total share-based payments of $232,928 (2022 – $265,134) which has been charged to general and administrative expense for the year.

The weighted average fair value of the options granted during the year ended August 31, 2023 was estimated at $0.26 per option as at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	August 31, 2023	August 31, 2022
Risk free interest rate	3.08%	1.57%
Expected life	5	5
Expected volatility	78.8%	76.9%
Expected dividend per share	-	-

Incentive share options outstanding and exercisable at August 31, 2023 are summarized as follows:

Exercise Price	Expiry date	Options Outstanding	Remaining life (Years)	Options Exercisable	Weighted average remaining life (Years)	Weighted average exercise price
$0.105	November 14, 2028	200,000	5.21	200,000	0.13	$0.003
$0.11	July 1, 2024	300,000	0.84	300,000	0.03	$0.004
$0.12	November 28, 2027	1,150,000	4.25	1,150,000	0.61	$0.017
$0.12	July 31, 2024	930,000	0.84	930,000	0.11	$0.014
$0.13	May 3, 2026	500,000	2.67	500,000	0.17	$0.008
$0.16	March 18, 2025	37,500	1.55	37,500	0.01	$0.001
$0.195	July 27, 2026	718,750	2.91	718,750	0.26	$0.017
$0.30	September 12, 2023	141,000	0.03	141,000	0.00	$0.005
$0.135	April 6, 2025	500,000	1.60	500,000	0.10	$0.008
$0.87	April 12, 2026	90,000	2.62	-	0.03	$0.010
$0.385	February 2, 2027	700,000	3.43	200,000	0.30	$0.034
$0.40	February 24, 2024	354,500	0.48	354,500	0.02	$0.018
$0.40	June 1, 2027	100,000	3.75	-	0.05	$0.005
$0.41	May 8, 2028	2,235,000	4.69	425,000	1.31	$0.113
		7,956,750		5,456,750	3.13	$0.257

(expressed in Canadian dollars except where noted)

17. Operating Expenses

(a) General and Administrative Expenses by Nature

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

	August 31, 2023	August 31, 2022
General & administrative expenses		
Accounting and legal	$ 133,384	$ 94,439
Bad debt	873	10,680
Depreciation (note 9)	374,866	365,720
Interest charges on loans	227,222	219,848
Investor relations	245,323	374,751
Office	1,289,083	823,978
Regulatory	27,108	29,029
Rent	96,215	84,948
Salaries and benefits (note 22)	1,565,798	1,388,150
Share-based payments (notes 16 and 22)	232,928	265,134
	$ 4,192,800	$ 3,656,677

(b) Selling and Marketing Expenses by Nature

	August 31, 2023	August 31, 2022
Selling and marketing expenses		
Advertising and promotion	$ 698,904	$ 369,624
Salaries and benefits (note 22)	2,663,588	2,141,619
	$ 3,362,491	$ 2,511,243

(c) Research and Development Expenses by Nature

	August 31, 2023	August 31, 2022
Research & development expenses		
Research and development materials	$ 1,569,837	$ 1,444,813
Research and development salaries and benefits (note 22)	726,159	631,667
	$ 2,295,996	$ 2,076,480

(expressed in Canadian dollars except where noted)

18. Income Tax

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

	August 31, 2023	**August 31, 2022**
Earnings (loss) for the period before income taxes	$ 2,871,422	$ 1,443,185
Combined income tax rates	28%	28%
(Decrease) increase attributable to:		
Expected income tax expense (recovery)	$ 782,000	$ 404,000
Change in statutory, foreign tax, foreign exchange rates and other	(695,000)	(433,000)
Permanent difference	101,000	138,000
Adjustment to prior years provision versus statutory tax return	(128,000)	(541,000)
	$ 60,000	$ (432,000)
Deferred income tax expense (recovery)	$ (66,000)	$ (432,000)
Provision for (recovery of) income taxes	$ 126,000	$ -

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

	August 31, 2023	**August 31, 2022**
Property, plant and equipment	$ 51,000	$ 107,000
Intangible assets	(16,000)	(13,000)
Warranty liability	21,000	26,000
Non-capital losses	1,579,000	1,452,000
ROU asset	(188,000)	(199,000)
Lease liability	206,000	214,000
Net deferred tax asset	$ 1,653,000	$ 1,587,000

During the year ended August 31, 2023 and August 31, 2022, the Company has recognized the deferred tax assets on these financial assets as it is probable that they will be realized given the increasing profitability of the Company.

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

	August 31, 2023	**Expiry Date Range**	**August 31, 2022**
Property, plant and equipment	186,000	No expiry	388,000
ROU assets	(681,000)	No expiry	(719,000)
Intangible assets	(56,000)	No expiry	(44,000)
Warranty liability	75,000	No expiry	93,000
Lease liability	749,000	No expiry	771,000
Non-capital losses carry forward	5,829,000	2033 – 2041	5,361,000
Canada	5,514,000	2033 – 2041	5,038,000
USA	315,000	2038 - 2039	323,000

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

(expressed in Canadian dollars except where noted)

19. Financial Instruments

Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at August 31, 2023 and August 31, 2022 is summarized as follows:

	August 31, 2023	August 31, 2022
Financial Assets		
Fair value through profit and loss, at fair value		
Cash	$ 4,110,859	$ 2,604,229
Loans and receivable, at amortized cost		
Trade receivables and other receivables (note 6)	4,994,819	8,629,697
Loan receivable	1,149,045	
Total Financial Assets	$ 10,254,723	$ 11,233,926
Financial Liabilities		
Line of credit (note 11)	-	$ 3,536,593
Other liabilities, at amortized cost		
Trade payables (note 12)	864,580	4,597,804
Bonus payable (note 22)	1,320,000	280,000
Bonus payable – long term (note 23)	-	840,000
Lease obligation - current (note 13)	187,764	189,618
Lease obligation – long term (note 13)	561,851	738,024
Salaries and benefits payable (note 12)	388,014	288,071
Total Financial Liabilities	$ 3,322,209	$ 10,470,110

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

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

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly. As at August 31, 2023, the Company used level 2 inputs to determine the fair value of the finance lease obligation.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at August 31, 2023, the Company does not have any Level 3 financial instruments.

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

Financial Instrument Risk Exposure

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support the Company's ability to continue. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (note 22).

(expressed in Canadian dollars except where noted)

19. Financial Instruments (continued)

a) Credit Risk

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

At August 31, 2023, 18% 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 August 31, 2023 was $4,994,819 (August 31, 2022 - $8,629,697). The Company insures its non-government accounts receivables.

b) Liquidity Risk

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

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

The Company coordinates this planning and budgeting process with its financing activities through the capital management process (note 22). The Company's financial liabilities are comprised of its trade payables, bonus payable, finance lease obligation, and salaries and benefits payable, the contractual maturities of which at August 31, 2023 and August 31, 2022 are summarized as follows:

	August 31, 2023	August 31, 2022
Payables with contractual maturities:		
Within 90 days or less	$ 2,568,658	$ 3,362,811
In later than 90 days, not later than one year	1,298,020	5,366,886
	$ 3,866,678	$ 8,629,697

c) Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company has no significant exposure at August 31, 2023 to interest rate risk through its financial instruments.

Commodity Price Risk

Commodity price risk is the risk due to which business financial performance is adversely affected by fluctuations in the prices of commodities. The Company has no significant exposure at August 31, 2023 to commodity price risk through its financial instruments.

19. Financial Instruments (continued)

Financial Instrument Risk Exposure (continued)

c) Market Risk (continued)

Currency Risk

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

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

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars as of August 31, 2023 and August 31, 2022:

	August 31, 2023	August 31, 2022
Cash	$ 3,016,871	$ 2,167,930
Trade and other receivables	4,548,777	8,227,864
Trade and other payables	(650,442)	(4,079,458)
Lease obligations	(227,736)	(286,960)
	$ 6,687,470	$ 6,029,376

Based on the above net exposure at August 31, 2023, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an approximately $668,747 decrease or increase respectively in both net and comprehensive income (August 31, 2022 – $602,938). The Company has not employed any currency hedging as at August 31, 2023.

20. Management of Capital

The capital managed by the Company includes a Line of Credit (note 12) and the components of shareholders' equity as described in the consolidated statements of changes in shareholders' equity. During the year, the Company was subject to financial covenants related to its line of credit. During the year ended August 31, 2023, the Company was in compliance with any required financial covenants.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of finance to fund the growth and development of its operations, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at August 31, 2023 remains fundamentally unchanged from the year ended August 31, 2022.

21. Segmented Information

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

(expressed in Canadian dollars)	For the year ended August 31, 2023			For the year ended August 31, 2022		
	Canada	USA	Combined	Canada	USA	Combined
Revenues	$ 2,266,525	$ 25,582,313	$ 27,848,838	$ 1,856,695	$ 18,175,594	$ 20,031,288
Cost of Sales	1,341,099	13,964,345	15,305,444	1,133,147	9,589,328	10,722,475
Gross Profit	925,426	11,617,968	12,543,394	723,548	8,585,266	9,308,814
Operating Expenses						
Interest expense (note 17a)	211,609	15,612	227,221	202,495	17,351	219,856
Depreciation expense (note 17a)	211,652	163,214	374,866	214,199	151,521	365,720
Other General & administrative (note 17a)	2,981,638	609,075	3,590,713	2,587,370	483,741	3,071,111
Selling and marketing (note 17b)	2,620,806	741,685	3,362,491	2,286,233	225,010	2,511,253
Research and development (note 17c)	2,185,073	110,923	2,295,996	1,961,785	114,695	2,076,480
	8,210,778	1,640,509	9,851,287	7,252,083	992,318	8,244,400
	$ (7,285,352)	$ 9,977,459	$ 2,692,107	$(6,528,534)	$7,592,948	$ 1,064,414
Other Income (Expenses)						
Interest	51,642	-	51,642	9,631	-	9,631
Foreign exchange	200,666	-	200,666	414,077	-	414,077
Income tax	(125,972)	-	(125,972)	-	-	-
Finance costs	-	(142)	(142)		(382)	82)
Write-down of Inventory	(51,647)	(21,205)	(72,851)	(35,682)	(8,873)	(44,554)
Net income (loss) before Income Taxes	(7,084,690)	9,956,112	2,871,422	(6,140,508)	7,583,693	1,443,185
Current tax (expense) recovery	-	(125,972)	(125,972)	-	-	-
Deferred tax (expense) recovery	66,000	-	66,000	432,000	-	432,000
Net Income (Loss)	(7,018,690)	9,830,140	2,811,450	(5,708,508)	7,583,693	1,875,185
Other Comprehensive Income						
Foreign currency translation differences	-	75,628	75,628	-	53,995	53,995
Net comprehensive income (loss)	$ (7,018,690)	$ 9,905,768	$ 2,887,078	$(5,708,508)	7,637,688	1,929,180

Current Assets	$ 3,793,949	$ 12,945,429	$ 16,739,378	3,718,104	16,370,818	20,088,922
Property, plant and equipment (note 10)	700,581	352,261	1,052,842	743,762	436,142	1,179,904
Goodwill	$ -	$ 154,558	$ 154,558	-	149,760	149,760

(expressed in Canadian dollars except where noted)

22. Related Party Transactions

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

a) Key Management Personnel Compensation

	August 31, 2023	**August 31, 2022**
Salaries and short-term benefits	$ 1,721,496	$ 1,447,555
Share-based payment	147,861	96,581
	$ 1,869,357	$ 1,544,136

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

b) Trade Related Party Transactions

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

	August 31, 2023	**August 31, 2022**
Chief Executive Officer	$ 1,365,013	$ 1,154,992
Directors	1,000	5,000
Vice Presidents and others	106,148	176,930
	$ 1,472,161	$ 1,336,922

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

c) Other Related Party Transactions

On September 1, 2020, the Company entered in a new employment contract with the Chief Executive Officer. As a result of this, a bonus in the amount of $1,400,000 was accrued during the year ended August 31, 2021, payable to the Chief Executive Officer over the following five years. There are no set terms of payment besides the five year time frame, and will be paid at the discretion of the Chief Executive Officer. As at August 31, 2023, the amount outstanding is $1,120,000. On January 9, 2023, a shareholder loan receivable was incurred for a total $1,120,000, this loan receivable incurred interest at 4% for total interest accumulated $29,045. Subsequent to the year ended August 31, 2023, the balance of the bonus payable was paid out in full, and the shareholder loan was reduced to $Nil.

During the year ended August 31, 2023, a discretionary bonus of $200,000 was recognized for the Chief Executive Officer, which is included in short-term bonus payable.

(expressed in Canadian dollars except where noted)

23. Commitments and Contingencies

As of August 31, 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 (note 19).

The Company regularly assesses its income tax and related non income tax amounts and obligations and the related filing obligations in the United States and Canada. It is management's position that adequate provisions have been made in the financial statements related to such obligations. However, there exists uncertainty due to the fact that the Company could be assessed differently by tax and/or other regulatory authorities in a manner that is not consistent with management's expectation. This situation would result in management being required to adjust its provision for income taxes and related non income tax amounts in the period that such a situation occurs and such adjustments could be material (note 19).

24. Supplemental Cash Flow Information

	August 31, 2023	August 31, 2022
Cash paid during the year for:		
Interest payments	$ 229,555	$ 210,285
Income tax	125,972	
Non-cash investing and financing transactions:		
Initial recognition of right of use asset	-	16,863
Reassessment of right of use asset	-	249,342
Stock options exercised	34,651	111,524

25. Subsequent Events

Subsequent to the year ended August 31, 2023, the following transactions took place:

a) an aggregate of 165,000 stock options were exercised between $0.12 to $0.195, generating gross proceeds of $23,888.

b) a bonus in the amount of $1,120,000, which was accrued during the year ended August 31, 2023, was paid out to the Chief Executive Officer, and the shareholder loan in the amount of $1,120,000 was settled and reduced to $Nil.