



GATEKEEPER

GATEKEEPER SYSTEMS INC. Consolidated Financial Statements

For the Three Months Ended November 30, 2023



**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Gatekeeper Systems Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT

(expressed in Canadian dollars)

| | November 30, 2023 | August 31, 2023 |
|--|------------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash (note 6) | \$ 2,363,834 | \$ 4,110,859 |
| Trade and other receivables (note 7) | 7,758,044 | 4,994,819 |
| Inventories (note 8) | 6,936,170 | 5,947,198 |
| Prepaid expenses and other current assets | 496,435 | 443,062 |
| Loan receivable | 639,231 | 1,149,045 |
| Income tax receivable | 94,395 | 94,395 |
| | 18,288,475 | 16,739,378 |
| Non-Current Assets | | |
| Property, plant and equipment (note 10) | 1,863,836 | 1,052,842 |
| Intangible asset (note 11) | 9,597 | 9,801 |
| Goodwill (note 9) | 155,156 | 154,558 |
| Deferred tax asset (note 19) | 1,797,000 | 1,653,000 |
| Total Assets | \$ 22,114,064 | \$ 19,609,579 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Line of credit (note 12) | \$ - | \$ - |
| Trade and other payables and accrued liabilities (note 13) | 2,493,056 | 1,676,180 |
| Bonus payable (note 5 and 23) | 200,000 | 1,320,000 |
| Lease obligations – current (note 14) | 276,842 | 187,764 |
| Unearned revenue | 129,159 | 78,061 |
| | 3,099,057 | 3,304,827 |
| Non-Current Liabilities | | |
| Lease obligations – long term (note 14) | 909,059 | 561,851 |
| Total Liabilities | 4,008,116 | 3,866,678 |
| Shareholders' Equity | | |
| Share capital (note 15) | 17,154,682 | 17,115,151 |
| Other capital reserves (notes 16 and 17) | 2,470,004 | 2,487,598 |
| Accumulated other comprehensive loss | 31,211 | 81,836 |
| Deficit | (1,549,949) | (3,941,684) |
| | 18,105,948 | 15,742,901 |
| Total Liabilities and Shareholders' Equity | \$ 22,114,064 | \$ 19,609,579 |

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS (note 1)
COMMITMENTS AND CONTINGENCIES (note 24)

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

“David Stumpo”

(signed)

Director

“Douglas Dymont”

(signed)

Director

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED

(expressed in Canadian dollars)

| | November 30, 2023 | November 30, 2022 |
|--|----------------------|----------------------|
| Revenues | \$ 9,824,743 | \$ 4,885,058 |
| Cost of Sales | 5,046,698 | 3,338,940 |
| Gross Profit | 4,778,045 | 1,546,118 |
| Operating Expenses | | |
| General and administrative (note 18a) | 1,060,389 | 934,608 |
| Selling and marketing (note 18b) | 964,321 | 684,965 |
| Research and development (note 18c) | 634,343 | 545,148 |
| | 2,659,053 | 2,164,721 |
| Operating Income (Loss) | 2,118,992 | (618,603) |
| Other Income (Expenses) | | |
| Interest | 17,665 | 4,551 |
| Foreign exchange | 114,360 | 309,161 |
| Income tax | - | (440) |
| Finance costs | (3,280) | (34) |
| Net Income (Loss) before income taxes | 2,247,737 | (305,367) |
| Deferred income tax (expense) recovery (note 19) | 144,000 | 153,000 |
| Net Income (Loss) | 2,391,737 | (152,367) |
| Foreign currency translation | (50,625) | 66,353 |
| Total Comprehensive Income (Loss) | \$ 2,341,112 | \$ (86,014) |
| Basic earnings (loss) per share | \$ 0.02 | \$ (0.00) |
| Weighted Average Number of Shares Outstanding | 91,935,395 | 91,399,395 |
| Diluted earnings (loss) per share | \$ 0.02 | \$ (0.00) |
| Weighted Average Number of Shares Outstanding | 91,935,395 | 91,399,395 |

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED

(expressed in Canadian dollars)

| | November 30, 2023 | November 30, 2022 |
|--|------------------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Net income (loss) | \$ 2,391,737 | \$ (152,367) |
| Items not affecting cash from operations: | | |
| Depreciation | 118,722 | 88,480 |
| Right-of-use effect | 467,660 | - |
| Share-based payments | - | 21,750 |
| Deferred tax expense (recovery) | (144,000) | (153,000) |
| Unrealized foreign exchange loss (gain) | 228,712 | 70,842 |
| Changes in non-cash working capital balances related to operations: | | |
| Trade and other receivables | (3,070,397) | 6,296,029 |
| Inventories | (972,130) | 544,544 |
| Prepaid expenses and other current assets | (52,849) | (146,747) |
| Trade and other payables and accrued liabilities | 814,649 | (4,670,617) |
| Bonus payable | (610,186) | (130,000) |
| Unearned revenue | 7,859 | 13,926 |
| Net cash provided by (used in) operating activities | (820,223) | 1,782,839 |
| Cash Flows used in Investing Activities | | |
| Purchase of property, plant and equipment | (933,334) | (42,353) |
| Net cash provided by (used in) investing activities | (933,334) | (42,353) |
| Cash Flows used in Financing Activities | | |
| Draws (repayment) on line of credit | - | (3,318,947) |
| Exercise of stock options | 21,937 | - |
| Lease payments | (37,710) | (169,173) |
| Net cash provided by (used in) financing activities | (15,773) | (3,488,120) |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents held in USD | 22,304 | (7,328) |
| Increase (Decrease) in Cash and Cash Equivalents | (1,769,330) | (1,747,633) |
| Cash and Cash Equivalents – Beginning of period | 4,110,860 | 2,604,229 |
| Cash and Cash Equivalents – End of period | \$ 2,363,834 | \$ 849,269 |

Supplemental Cash Flow Information (note 25)

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED

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

| | 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 |
| Share-based payments (note 17) | - | - | 21,750 | - | - | 21,750 |
| Foreign currency translation | - | - | - | 35,923 | - | 35,923 |
| Net income (loss) | - | - | - | - | (152,367) | (152,367) |
| Balance – November 30, 2022 | 91,399,395 | \$ 17,003,700 | \$ 2,311,071 | \$ 42,131 | \$ (6,905,501) | \$ 12,451,401 |
| Balance – August 31, 2023 | 91,822,895 | \$ 17,115,151 | \$ 2,487,598 | \$ 81,836 | \$ (3,941,684) | \$ 15,742,901 |
| Exercise of options | 155,000 | 39,531 | (17,594) | - | - | 21,937 |
| Foreign currency translation | - | - | - | (50,625) | - | 35,923 |
| Net income (loss) | - | - | - | - | 2,391,735 | 2,391,735 |
| Balance – November 30, 2023 | 91,977,895 | \$ 17,154,682 | \$ 2,470,004 | \$ 31,211 | \$ (1,549,949) | \$ 18,105,948 |

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

GATEKEEPER

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 condensed interim consolidated financial statements (the “financial statements”) as at November 30, 2023 and August 31, 2023 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 \$2,341,112 for the period ended November 30, 2023 (August 31, 2023 – comprehensive income \$2,887,078 and has a working capital of \$15,189,418 at November 30, 2023 (August 31, 2023 – \$13,434,551).

The Company had cash of \$2,363,834 at November 30, 2023 (August 31, 2023 – \$4,110,859), 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended August 31, 2023, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual financial statements. These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on January 29, 2024.

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

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those described in the audited financial statements for the year ended August 31, 2023.

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.

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.

4. Significant Accounting Judgments and Estimates (continued)

(c) Impairment of Financial Assets

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

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

(d) Warranty Provision

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

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

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

(f) Leases

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

4. Significant Accounting Judgments and Estimates (continued)

Significant Estimates (continued)

(g) Share-Based Payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3 of the August 31, 2023 audited consolidated financial statements. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

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

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

(b) Determination of Functional Currency

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

(c) Going Concern

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

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

Significant Judgments (continued)

(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.

6. **Cash and Cash Equivalents**

| | November 30, 2023 | August 31, 2023 |
|------|----------------------|--------------------|
| Cash | \$ 2,363,834 | \$ 4,110,859 |

7. **Trade and Other Receivables**

| | November 30, 2023 | August 31, 2023 |
|-----------------------|----------------------|--------------------|
| Trade receivables | \$ 7,682,631 | \$ 4,976,022 |
| Income tax receivable | - | 18,317 |
| Other receivable | 48,887 | 480 |
| | \$ 7,758,044 | \$ 4,994,819 |

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 November 30, 2023, there was \$7,682,631 in trade receivables secured under the line (Note 12).

8. Inventories

| | November 30, 2023 | August 31, 2023 |
|----------------|------------------------------|----------------------------|
| Raw materials | \$ 1,112,015 | \$ 427,690 |
| Finished goods | 5,824,155 | 5,519,508 |
| | \$ 6,936,170 | \$ 5,947,198 |

For the period ended November 30, 2023, the cost of inventories recognized as an expense and included in cost of sales was \$3,884,779 (November 30, 2022 - \$1,054,987).

For the period ended November 30, 2023 a write-down of inventories of \$Nil (November 30, 2022 - \$Nil) which was included in other income (expense) in the consolidated statements of income and comprehensive income.

As at November 30, 2023 there was \$Nil owing under the line of credit (August 31, 2023 - \$Nil), and there were \$6,936,170 inventories secured under the line (Note 12).

9. 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 \$149,760 (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 November 30, 2023 the value of goodwill was \$154,558 (August 31, 2023 - \$154,558) and there was no impairment recorded for the years then ended.

GATEKEEPER SYSTEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023

(expressed in Canadian dollars except where noted)

10. 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, 2022 | \$ 88,584 | \$ 689,990 | \$ 64,132 | \$ 15,909 | \$ 216,802 | \$ 60,525 | \$ 336,229 | \$ 118,992 | \$ 1,238,758 | 17,523 | \$ 2,847,444 |
| 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 | 33,982 |
| August 31, 2023 | \$ 91,422 | \$ 899,517 | \$ 82,623 | \$ 15,909 | \$ 227,774 | \$ 60,525 | \$ 345,130 | \$ 122,805 | \$ 1,251,221 | 18,080 | \$ 3,115,006 |
| Additions | - | 422,944 | - | - | 8,792 | - | 2,921 | 498,677 | - | - | 933,334 |
| Disposal | - | - | - | - | - | - | - | - | - | - | - |
| Foreign currency difference | 354 | 5,201 | 127 | - | 69 | - | 640 | (1,650) | 5,579 | (1,096) | (12,336) |
| November 30, 2023 | \$ 91,776 | \$ 1,317,260 | \$ 82,750 | \$ 15,909 | \$ 236,635 | \$ 60,525 | \$ 348,691 | \$ 619,832 | \$ 1,245,642 | 16,984 | \$ 4,036,004 |
| 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, 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 |
| Disposal | - | - | - | - | - | - | - | - | - | - | - |
| Foreign currency difference | 2,838 | 4,714 | 2,232 | - | 536 | - | 3,911 | 2,875 | 5,056 | 208 | 22,370 |
| 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 |
| Depreciation | - | 36,777 | 1,135 | 597 | 3,004 | 272 | 5,446 | 28,614 | 41,375 | 1,502 | 118,722 |
| Foreign currency difference | (289) | - | (2,757) | - | (1,377) | - | (4,010) | - | (287) | - | (8,720) |
| November 30, 2023 | \$ 91,133 | \$ 641,055 | \$ 65,136 | \$ 11,728 | \$ 201,214 | \$ 59,166 | \$ 316,637 | \$ 143,591 | \$ 628,949 | \$13,559 | \$ 2,172,168 |
| 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, 2023 | \$ - | \$ 295,239 | \$ 15,865 | \$ 4,778 | \$ 28,187 | \$ 1,631 | \$ 29,929 | \$ 7,828 | \$ 663,360 | \$ 6,023 | \$ 1,052,840 |
| November 30, 2023 | \$ 643 | \$ 676,205 | \$ 17,614 | \$ 4,181 | \$ 35,421 | \$ 1,359 | \$ 32,054 | \$ 476,241 | \$ 616,693 | \$ 3,425 | \$ 1,863,836 |

GATEKEEPER SYSTEMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023***(expressed in Canadian dollars except where noted)***11. 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 \$205 in amortization was recognized for the period.

12. 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, 2023. 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 November 30, 2023, there was \$Nil owing under the Credit Facility (August 31, 2023 - \$Nil).

13. Trade and Other Payables and Accrued Liabilities

| | November 30, 2023 | August 31, 2023 |
|--|----------------------|--------------------|
| Trade payables | \$ 1,753,513 | \$ 862,996 |
| Salaries and benefits payable | 491,593 | 388,014 |
| Provincial Sales Tax payable and State Sales Tax Payable | 637 | 1,585 |
| Accrued and other liabilities | 171,751 | 348,283 |
| Accrued warranty liabilities | 75,559 | 75,302 |
| | \$ 2,493,056 | \$ 1,676,180 |

Included in trade and other payables and accrued liabilities are amounts of \$16,588 (August 31, 2023 - \$27,727) due to related parties (note 23).

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.

GATEKEEPER SYSTEMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023***(expressed in Canadian dollars except where noted)***14. 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 period ended November 30, 2023:

| | Automobile Leases | Office Leases | Copier Lease | Forklift Lease | Total |
|--------------------------------------|------------------------------|--------------------------|-------------------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Modification/reassessment | - | - | - | - | - |
| Additions | 504,154 | - | - | - | 504,154 |
| Interest | 13,161 | 6,858 | 71 | 57 | 20,148 |
| Lease payments | (22,813) | (52,174) | (688) | (1,597) | (77,272) |
| FX Adjustment | (8,065) | (2,883) | - | (1,318) | (12,266) |
| Balance, November 30, 2023 | 486,438 | 688,005 | 4,573 | 6,885 | 1,185,901 |
| Less: Current portion | (85,115) | (182,823) | (2,557) | (6,348) | (276,842) |
| Lease obligations – long term | 401,323 | 505,182 | 2,016 | 537 | 909,059 |

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 November 30, 2023:

| | Automobile Leases | Office Leases | Copier Lease | Forklift Lease | Total |
|--------------------|------------------------------|--------------------------|-------------------------|---------------------------|--------------|
| Less than one year | \$ 85,115 | \$ 182,823 | \$ 2,557 | \$ 6,348 | \$ 276,842 |
| One to five years | 401,323 | 505,182 | 2,016 | 537 | 909,058 |
| | \$ 486,438 | \$ 688,005 | \$ 4,573 | \$ 6,885 | \$ 1,185,901 |

15. 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 November 30, 2023, the Company had 91,977,895 common shares outstanding (August 31, 2023 – 91,822,895), Nil Class A preferred shares outstanding (August 31, 2023 – Nil), Nil Class B preferred shares outstanding (August 31, 2023 – Nil) and, Nil Class C preferred shares outstanding (August 31, 2023– 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.

15. 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 period ended November 30, 2023, 155,000 options were exercised between \$0.12 and \$0.30 per share for gross proceeds of \$21,938. The options exercised had a fair value of \$17,594 which has been reclassified from Reserves to Share Capital.

During the period ended November 30, 2022, there were no options were exercised.

16. Warrants

There were no warrants issued and outstanding as at November 30, 2023 and August 31, 2023.

17. Share-Based Payments

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

The changes in stock options during the period ended November 30, 2023 were as follows:

| | Weighted average exercise price | Number of Options |
|-----------------------------|--|------------------------------|
| 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 | \$0.22 | 7,956,750 |
| Options exercised | \$0.14 | (155,000) |
| Options expired | \$0.30 | (136,000) |
| Balance – November 30, 2023 | \$0.26 | 7,665,750 |

17. Share-Based Payments (continued)

During the period ended November 30, 2023, the Company recorded total share-based payments of \$Nil (2022 – \$21,750) which has been charged to general and administrative expense for the period.

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:

| | November 30, 2023 | August 31, 2023 |
|-----------------------------|----------------------|--------------------|
| Risk free interest rate | - | 3.08% |
| Expected life | - | 5 |
| Expected volatility | - | 78.8% |
| Expected dividend per share | - | - |

Incentive share options outstanding and exercisable at November 30, 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 | 1,050,000 | 4.25 | 1,050,000 | 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 | 2.42 | 500,000 | 0.17 | \$0.008 |
| \$0.195 | July 27, 2026 | 706,250 | 2.91 | 706,250 | 0.26 | \$0.017 |
| \$0.135 | April 6, 2025 | 500,000 | 1.60 | 500,000 | 0.10 | \$0.008 |
| \$0.385 | February 2, 2027 | 700,000 | 3.43 | 600,000 | 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 |
| | | 7,665,750 | | 5,565,750 | 3.13 | \$0.257 |

GATEKEEPER SYSTEMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023***(expressed in Canadian dollars except where noted)***18. Operating Expenses****(a) General and Administrative Expenses by Nature**

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

| | November 30, 2023 | November 30, 2022 |
|--|----------------------|----------------------|
| General & administrative expenses | | |
| Accounting and legal | \$ 24,434 | \$ 20,561 |
| Bad debt | 32,868 | 301 |
| Depreciation (note 11) | 118,722 | 82,576 |
| Interest charges on loans | 37,712 | 54,114 |
| Investor relations | 37,130 | 15,005 |
| Office | 379,374 | 193,201 |
| Regulatory | 2,438 | 2,789 |
| Rent | 24,937 | 18,453 |
| Salaries and benefits (note 5 and 23) | 402,777 | 358,431 |
| Share-based payments (notes 17 and 23) | - | 7,907 |
| | \$ 1,060,389 | \$ 752,739 |

(b) Selling and Marketing Expenses by Nature

| | November 30, 2023 | November 30, 2022 |
|---------------------------------------|----------------------|----------------------|
| Selling and marketing expenses | | |
| Advertising and promotion | \$ 233,841 | \$ 166,715 |
| Salaries and benefits (note 23) | 730,481 | 518,251 |
| | \$ 964,321 | \$ 684,965 |

(c) Research and Development Expenses by Nature

| | November 30, 2023 | November 30, 2021 |
|--|----------------------|----------------------|
| Research & development expenses | | |
| Research and development materials | \$ 395,469 | \$ 386,195 |
| Research and development salaries and benefits (note 23) | 238,874 | 158,953 |
| | \$ 634,343 | \$ 545,148 |

19. Income Tax

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

| | For the three months ended November 30, 2023 | For the year ended August 31, 2023 |
|--|--|--|
| Earnings (loss) for the period before income taxes | \$ 2,247,737 | \$ 2,871,422 |
| Combined income tax rates | 28% | 28% |
| (Decrease) increase attributable to: | | |
| Expected income tax expense (recovery) | \$ 607,000 | \$ 782,000 |
| Change in statutory, foreign tax, foreign exchange rates and other | (366,000) | (695,000) |
| Permanent difference | (97,000) | 101,000 |
| Adjustment to prior years provision versus statutory tax return | - | (128,000) |
| | \$ (144,000) | \$60,000 |
| Deferred income tax expense (recovery) | \$ (144,000) | \$ (66,000) |
| Provision for (recovery of) income taxes | \$ - | \$ 126,000 |

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

| | November 30, 2023 | August 31, 2023 |
|-------------------------------|----------------------|--------------------|
| Property, plant and equipment | \$ 161,000 | \$ 51,000 |
| Intangible assets | 12,000 | (16,000) |
| Warranty liability | - | 21,000 |
| Non-capital losses | 1,461,000 | 1,579,000 |
| ROU asset | (256,000) | (188,000) |
| Lease liability | 275,000 | 206,000 |
| Net deferred tax asset | \$ 1,797,000 | \$ 1,653,000 |

During the period ended November 30, 2023 and August 31, 2023, 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:

| | November 30, 2023 | Expiry Date Range | August 31, 2023 |
|----------------------------------|----------------------|-------------------|--------------------|
| Property, plant and equipment | 591,000 | No expiry | 388,000 |
| ROU assets | (932,000) | No expiry | (719,000) |
| Intangible assets | 44,000 | No expiry | (44,000) |
| Warranty liability | - | No expiry | 93,000 |
| Lease liability | 1,003,000 | No expiry | 771,000 |
| Non-capital losses carry forward | 4,656,000 | 2033 – 2044 | 5,361,000 |
| Canada | 5,038,000 | 2033 – 2044 | 5,038,000 |
| USA | 381,000 | 2038 - 2040 | 323,000 |

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

20. Financial Instruments

Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at November 30, 2023 and August 31, 2023 is summarized as follows:

| | November 30, 2023 | August 31, 2023 |
|--|----------------------|----------------------|
| Financial Assets | | |
| Fair value through profit and loss, at fair value | | |
| Cash | \$ 2,363,834 | \$ 4,110,859 |
| Loans and receivable, at amortized cost | | |
| Trade receivables and other receivables (note 7) | 7,758,044 | 4,994,819 |
| Loan Receivable | 639,231 | 1,149,045 |
| Total Financial Assets | \$10,761,109 | \$ 10,254,723 |
| Financial Liabilities | | |
| Line of credit (note 12) | \$ - | \$ - |
| Other liabilities, at amortized cost | | |
| Trade payables (note 13) | 2,130,621 | 864,580 |
| Bonus payable (note 23) | 200,000 | 1,320,000 |
| Lease obligation - current (note 14) | 276,842 | 187,764 |
| Lease obligation – long term (note 14) | 909,059 | 561,851 |
| Salaries and benefits payable (note 13) | 491,593 | 388,014 |
| Total Financial Liabilities | \$ 4,008,115 | \$ 3,322,209 |

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 November 30, 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 November 30, 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).

20. 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 November 30, 2023, 9% of the Company's trade accounts receivable balance is over 90 days past due (August 31, 2023 – 18%). The carrying amount of trade and other receivables as at November 30, 2023 was \$649,506 (August 31, 2023 - \$4,994,819). 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 November 30, 2023 and August 31, 2023 are summarized as follows:

| | November 30, 2023 | August 31, 2023 |
|--|----------------------|---------------------|
| Payables with contractual maturities: | | |
| Within 90 days or less | \$ 2,310,752 | \$ 2,568,658 |
| In later than 90 days, not later than one year | 1,131,978 | 1,298,020 |
| | <u>\$ 3,442,730</u> | <u>\$ 3,866,678</u> |

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 November 30, 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 November 30, 2023 to commodity price risk through its financial instruments.

20. 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 November 30, 2023 and August 31, 2023:

| | November 30, 2023 | August 31, 2023 |
|-----------------------------|----------------------|---------------------|
| Cash | \$ 977,045 | \$ 3,016,871 |
| Trade and other receivables | 7,490,586 | 4,548,777 |
| Trade and other payables | (512,229) | (650,442) |
| Lease obligations | (693,860) | (227,736) |
| | \$ 7,261,541 | \$ 6,687,470 |

Based on the above net exposure at November 30, 2023, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an approximately \$726,154 decrease or increase respectively in both net and comprehensive income (August 31, 2023 – 668,747). The Company has not employed any currency hedging as at November 30, 2023.

21. 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 period ended November 30, 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 November 30, 2023 remains fundamentally unchanged from the year ended August 31, 2023.

GATEKEEPER SYSTEMS INC.
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023**
(expressed in Canadian dollars except where noted)
22. Segmented Information

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

| <i>(expressed in Canadian dollars)</i> | For the period ended November 30, 2023 | | | For the period ended November 30, 2022 | | |
|--|---|--------------|-----------------|---|--------------|-----------------|
| | Canada | USA | Combined | Canada | USA | Combined |
| Revenues | \$ 487,117 | \$ 9,337,626 | \$ 9,824,743 | \$ 581,240 | \$ 4,303,817 | \$ 4,885,057 |
| Cost of Sales | 291,530 | 4,755,168 | 5,046,698 | 357,782 | 2,981,159 | 3,338,941 |
| Gross Profit | 195,587 | 4,582,458 | 4,778,045 | 223,458 | 1,322,658 | 1,546,116 |
| Operating Expenses | | | | | | |
| Interest expense (note 18a) | 25,225 | 12,484 | 37,710 | 84,363 | 4,250 | 88,613 |
| Depreciation expense (note 18a) | 49,140 | 69,581 | 118,722 | 49,710 | 38,770 | 88,480 |
| Other General & administrative (note 18a) (Restated – note 5) | 653,467 | 250,492 | 903,958 | 618,394 | 139,119 | 757,513 |
| Selling and marketing (note 18b) | 604,139 | 360,182 | 964,321 | 561,292 | 123,673 | 684,965 |
| Research and development (note 18c) | 607,875 | 26,468 | 634,343 | 519,576 | 25,573 | 545,148 |
| | 1,939,846 | 719,207 | 2,659,054 | 1,833,334 | 331,387 | 2,164,721 |
| | \$ (1,744,259) | \$ 3,863,251 | \$ 2,118,992 | \$ (1,609,876) | \$ 991,271 | \$ (618,605) |
| Other Income (Expenses) | | | | | | |
| Interest | 17,665 | - | 17,665 | 4,551 | - | 4,551 |
| Foreign exchange | 114,358 | - | 114,358 | 309,161 | - | 309,161 |
| Finance costs | - | (3,279) | (3,279) | - | (34) | (34) |
| Net income (loss) before Income Taxes | (1,612,237) | 3,859,972 | 2,247,735 | (1,296,164) | 990,797 | (305,367) |
| Income tax expense | 144,000 | - | 144,000 | 153,000 | (440) | 153,440 |
| Net Income (Loss) | (1,468,237) | 3,859,972 | 2,391,735 | (1,143,165) | 990,797 | (152,367) |
| Other Comprehensive Income | | | | | | |
| Foreign currency translation differences | - | (50,625) | (50,625) | - | 66,353 | 66,353 |
| Net comprehensive income (loss) | \$ (1,468,237) | \$ 3,809,347 | \$ 2,341,110 | \$ (1,143,165) | \$ 1,057,150 | \$ (86,014) |
| | | | | | | |
| Current Assets | \$ 15,992,452 | \$ 2,296,021 | \$ 18,288,472 | \$ 11,145,420 | \$ 2,235,772 | \$ 13,381,193 |
| Property, plant and equipment (note 10) | 684,669 | 1,179,168 | 1,863,837 | 644,997 | 509,571 | 1,154,568 |
| Goodwill | \$ - | \$ 155,156 | \$ 155,156 | \$ - | \$ 145,911 | \$ 145,911 |

GATEKEEPER SYSTEMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023***(expressed in Canadian dollars except where noted)***23. 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

| | November 30, 2023 | November 30, 2022 |
|----------------------------------|------------------------------|------------------------------|
| Salaries and short-term benefits | \$ 292,834 | \$ 264,997 |
| Share-based payment | - | 21,750 |
| | \$ 286,747 | \$ 286,747 |

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 November 30, 2023 and August 31, 2023 are as follows:

| | November 30, 2023 | August 31, 2023 |
|-------------------------|------------------------------|----------------------------|
| Chief Executive Officer | \$ 200,000 | \$ 1,154,992 |
| Directors | - | 5,000 |
| Vice Presidents | 16,588 | 176,930 |
| | \$ 216,588 | \$ 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 7 and 13), 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 was \$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 as at November 30, 2023 of \$40,542. During the period ended November 30, 2023, the balance of the bonus payable was paid out in full, and the shareholder loan of \$1,120,000 was reduced to \$Nil. As at November 30, 2023, a loan receivable of \$639,231 was outstanding, related to tax remittances due on the CEO bonus which were advanced by the Company on behalf of the CEO.

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.

GATEKEEPER SYSTEMS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023***(expressed in Canadian dollars except where noted)***24. Commitments and Contingencies**

As of November 30, 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).

25. Supplemental Cash Flow Information

| | November 30, 2023 | August 31, 2023 |
|--|------------------------------|----------------------------|
| Cash paid during the period for: | | |
| Interest payments | \$ 37,710 | \$ 229,555 |
| Income tax | | 125,972 |
| Non-cash investing and financing transactions: | | |
| Initial recognition of right of use asset | \$ - | \$ - |
| Reassessment of right of use asset | - | - |
| Stock options exercised | 17,594 | 34,651 |

26. Subsequent Events

Subsequent to November 30, 2023, 10,000 stock options were exercised at \$0.195 for gross proceeds of \$1,950.