



GATEKEEPER

GATEKEEPER SYSTEMS INC. Consolidated Financial Statements

For the Six Months Ended February 29, 2024



**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)

	February 29, 2024	August 31, 2023
ASSETS		
Current Assets		
Cash (note 6)	\$ 4,374,903	\$ 4,110,859
Trade and other receivables (note 7)	8,596,393	4,994,819
Inventories (note 8)	5,254,937	5,947,198
Prepaid expenses and other current assets	583,207	443,062
Loan receivable	645,627	1,149,045
Income tax receivable	146,288	94,395
	19,601,355	16,739,378
Non-Current Assets		
Property, plant and equipment (note 10)	1,856,145	1,052,842
Intangible asset (note 11)	9,393	9,801
Goodwill (note 9)	155,062	154,558
Deferred tax asset (note 19)	1,365,000	1,653,000
Total Assets	\$ 22,986,955	\$ 19,609,579
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables and accrued liabilities (note 13)	\$ 2,136,706	\$ 1,676,180
Bonus payable (note 5 and 23)	-	1,320,000
Lease obligations – current (note 14)	284,393	187,764
Unearned revenue	161,862	78,061
	2,852,961	3,304,827
Non-Current Liabilities		
Lease obligations – long term (note 14)	842,614	561,851
Total Liabilities	3,425,575	3,866,678
Shareholders' Equity		
Share capital (note 15)	17,336,861	17,115,151
Other capital reserves (notes 16 and 17)	2,455,395	2,487,598
Accumulated other comprehensive loss	89,216	81,836
Deficit	(320,092)	(3,941,684)
	19,561,380	15,742,901
Total Liabilities and Shareholders' Equity	\$ 22,986,955	\$ 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

(expressed in Canadian dollars)

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Revenues	\$ 9,858,554	\$ 9,685,773	\$ 19,683,297	\$ 14,570,831
Cost of Sales	4,770,923	5,140,194	9,817,621	8,479,134
Gross Profit	5,087,631	4,545,579	9,865,676	6,091,697
Operating Expenses				
General and administrative (note 18a)	1,371,428	978,623	2,431,817	1,913,231
Selling and marketing (note 18b)	1,333,760	909,776	2,298,081	1,594,741
Research and development (note 18c)	636,502	516,009	1,270,845	1,061,157
	(3,341,690)	(2,404,408)	(6,000,743)	(4,569,129)
Operating Profit	1,745,941	2,141,171	3,864,933	1,522,568
Other Income (Expenses)				
Interest	12,774	5,526	30,439	10,077
Foreign exchange	(86,359)	(77,576)	28,001	231,145
Finance costs	(10,498)	(40)	(13,777)	(75)
Write-down of inventory	(3)	-	(4)	(1)
Net income before income taxes	1,661,855	2,069,081	3,909,592	1,763,715
Deferred income tax (expense) recovery (note 19)	(144,000)	(186,000)	(288,000)	(33,000)
Net income	1,517,855	1,883,081	3,621,592	1,730,714
Other Comprehensive Income (Loss)				
Foreign currency translation differences	58,005	(17,177)	7,380	49,176
Total Comprehensive Income	\$ 1,575,860	\$ 1,865,904	\$ 3,628,972	\$ 1,779,890
Basic income per share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.02
Weighted Average Number of Shares Outstanding	92,026,895	90,414,392	92,005,645	90,414,392
Diluted income per share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.02
Weighted Average Number of Shares Outstanding	97,328,145	96,023,145	97,306,895	96,023,145

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 SIX MONTHS ENDED**

(expressed in Canadian dollars)

	February 29, 2024	February 28, 2023
Cash Flows from Operating Activities		
Net income (loss)	\$ 3,628,972	\$ 1,730,714
Items not affecting cash from operations:		
Depreciation	238,898	175,212
Amortization – financial lease	435,721	-
Share-based payments	23,820	69,390
Deferred tax expense (recovery)	288,000	33,000
Unrealized foreign exchange loss (gain)	366,941	(32,082)
Changes in non-cash working capital balances related to operations:		
Trade and other receivables	(3,887,426)	3,406,331
Income taxes receivable	(51,467)	
Inventories	708,160	1,547,655
Prepaid expenses and other current assets	(139,525)	61,429
Trade and other payables and accrued liabilities	459,020	(4,004,005)
Bonus payable	503,418	(840,000)
Long term bonus payable	(1,320,000)	(280,000)
Unearned revenue	39,949	25,990
Net cash provided by (used in) operating activities	1,294,481	1,893,635
Cash Flows used in Investing Activities		
Purchase of property, plant and equipment	(1,036,137)	(76,280)
Net cash provided by (used in) investing activities	(1,036,137)	(76,280)
Cash Flows used in Financing Activities		
Draws (repayment) on line of credit	-	(3,032,115)
Exercise of stock options	165,687	-
Lease payments	(162,687)	(189,676)
Net cash provided by (used in) financing activities	3,000	(3,221,791)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents held in USD	2,700	(5,253)
Increase (Decrease) in Cash and Cash Equivalents	261,344	(1,404,436)
Cash and Cash Equivalents – Beginning of period	4,110,859	2,604,229
Cash and Cash Equivalents – End of period	\$ 4,374,903	\$ 1,194,540

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 SIX 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)	-	-	69,390	-	-	69,390
Foreign currency translation	-	-	-	18,746	-	18,746
Net income	-	-	-	-	1,730,714	(1,730,714)
Balance – February 28, 2023	91,399,395	\$ 17,003,700	\$ 2,358,711	\$ 24,954	\$ (5,022,420)	\$ 14,364,945
Balance – August 31, 2023	91,822,895	\$ 17,115,151	\$ 2,487,598	\$ 81,836	\$ (3,941,684)	\$ 15,742,901
Exercise of options	519,500	221,710	(56,023)	-	-	165,687
Foreign currency translation	-	-	-	7,380	-	7,380
Share-based payments (note 17)	-	-	23,820	-	-	23,820
Net income	-	-	-	-	3,621,592	3,621,592
Balance – February 29, 2024	92,342,395	\$ 17,336,861	\$ 2,455,395	\$ 89,216	\$ (320,092)	\$ 19,561,380

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 February 29, 2024 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 \$3,628,972 for the period ended February 29, 2024 (August 31, 2023 – comprehensive income \$2,887,078 and has a working capital of \$16,748,394 at February 29, 2024 (August 31, 2023 – \$13,434,551).

The Company had cash of \$4,374,903 at February 29, 2024 (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 April 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 Material 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. Material 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.

Material 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. Material 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. Material Accounting Judgments and Estimates (continued)

Material 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.

Material 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 reverses, 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. **Material Accounting Judgments and Estimates (continued)**

Material 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**

	February 29, 2024	August 31, 2023
Cash	\$ 4,374,903	\$ 4,110,859

7. **Trade and Other Receivables**

	February 29, 2024	August 31, 2023
Trade receivables	\$ 8,530,060	\$ 4,976,022
Income tax receivable	36,729	18,317
Other receivable	29,604	480
	\$ 8,596,393	\$ 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 February 29, 2024, there was \$8,596,393 in trade receivables secured under the line (Note 12).

8. Inventories

	February 29, 2024	August 31, 2023
Raw materials	\$ 419,020	\$ 427,690
Finished goods	4,835,917	5,519,508
	\$ 5,254,937	\$ 5,947,198

For the period ended February 29, 2024 the cost of inventories recognized as an expense and included in cost of sales was \$9,883,142 (February 28, 2023 - \$6,849,290).

For the period ended February 29, 2024 a write-down of inventories of \$Nil (February 28, 2023- \$Nil) which was included in other income (expense) in the consolidated statements of income and comprehensive income.

As at February 29, 2024 there was \$Nil owing under the line of credit (August 31, 2023 - \$Nil), and there were \$Nil 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 February 29, 2024 the value of goodwill was \$155,062 (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 SIX MONTHS ENDED FEBRUARY 29, 2024

(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	-	524,289	-	-	10,250	-	2,921	498,677	-	-	1,036,137
Disposal	-	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	354	2,178	127	-	124	-	539	(1,650)	(5,579)	(1,096)	(5,003)
February 29, 2024	\$ 91,776	\$ 1,425,984	\$ 82,750	\$ 15,909	\$ 238,148	\$ 60,525	\$ 348,590	\$ 619,832	\$ 1,245,642	\$ 16,984	\$ 4,146,140
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	-	79,184	2,280	1,195	3,484	544	10,926	55,391	82,875	3,019	238,898
Foreign currency difference	354	15,813	(3,664)	-	(151)	-	(7,567)	14,149	(26,942)	(3,061)	(11,069)
February 29, 2024	\$ 91,776	\$ 699,275	\$ 65,374	\$ 12,326	\$ 202,920	\$ 59,438	\$ 318,560	\$ 184,517	\$ 643,794	\$ 12,015	\$ 2,289,995
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
February 29, 2024	\$ -	\$ 726,709	\$ 17,376	\$ 3,583	\$ 35,228	\$ 1,087	\$ 30,030	\$ 435,315	\$ 601,848	\$ 4,969	\$ 1,856,145

GATEKEEPER SYSTEMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024

(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 February 29, 2024, there was \$Nil owing under the Credit Facility (August 31, 2023 - \$Nil).

13. Trade and Other Payables and Accrued Liabilities

	February 29, 2024	August 31, 2023
Trade payables	\$ 2,036,563	\$ 862,996
Salaries and benefits payable	495,251	388,014
Provincial Sales Tax payable and State Sales Tax Payable	68	1,585
Accrued and other liabilities	(484,514)	348,283
Accrued warranty liabilities	89,338	75,302
	\$ 2,136,706	\$ 1,676,180

Included in trade and other payables and accrued liabilities are amounts of \$151,503 (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.

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 February 29, 2024:

	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	-	7,130	-	511,284
Interest	20,535	18,522	253	103	39,412
Lease payments	(53,664)	(104,043)	(1,816)	(3,164)	(162,687)
FX Adjustment	(12,855)	2,216	(2)	(1,498)	(12,139)
Balance, February 29, 2024	458,171	652,899	10,754	5,184	1,127,007
Less: Current portion	85,232	190,089	3,888	5,184	284,393
Lease obligations – long term	372,939	462,809	6,866	-	842,614

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 February 29, 2024:

	Automobile Leases	Office Leases	Copier Lease	Forklift Lease	Total
Less than one year	\$ 85,232	\$ 190,089	\$ 3,739	\$ 5,184	\$ 284,393
One to five years	\$ 372,939	\$ 462,810	\$ 7,015	\$ -	\$ 842,614
	\$ 458,171	\$ 652,899	\$ 10,754	\$ 5,184	\$ 1,127,007

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 February 29, 2024, the Company had 92,342,395 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 February 29, 2024, 519,500 options were exercised between \$0.12 and \$0.40 per share for gross proceeds of \$165,688. The options exercised had a fair value of \$56,023 which has been reclassified from Reserves to Share Capital.

During the period ended February 28, 2023, there were no options were exercised.

16. Warrants

There were no warrants issued and outstanding as at February 29, 2024 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 February 29, 2024 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	\$0.32	(519,500)
Options expired	\$0.30	(136,000)
Balance – February 29, 2024	\$0.25	7,301,250

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17. Share-Based Payments (continued)

During the period ended February 29, 2024, the Company recorded total share-based payments of \$23,820 (2023 – \$69,390) 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:

	February 29, 2024	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 February 29, 2024 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	4.71	200,000	4.71	\$0.003
\$0.11	July 1, 2024	300,000	0.34	300,000	0.03	\$0.004
\$0.12	November 28, 2027	1,050,000	3.75	1,050,000	0.61	\$0.017
\$0.12	July 31, 2024	930,000	0.42	930,000	0.11	\$0.014
\$0.13	May 3, 2026	500,000	2.18	500,000	0.17	\$0.008
\$0.195	July 27, 2026	696,250	2.41	696,250	0.26	\$0.017
\$0.135	April 6, 2025	500,000	1.10	500,000	0.10	\$0.008
\$0.87	April 12, 2026	90,000	2.12	-	0.03	
\$0.385	February 2, 2027	700,000	2.93	700,000	0.30	\$0.034
\$0.40	June 1, 2027	100,000	3.25	-	0.05	\$0.005
\$0.41	May 8, 2028	2,235,000	4.19	425,000	1.31	\$0.113
		7,301,250		5,301,250	2.82	\$0.257

18. Operating Expenses

(a) General and Administrative Expenses by Nature

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

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
General & administrative expenses				
Accounting and legal	\$ 27,698	\$ 41,854	\$ 52,132	\$ 69,646
Bad debt	(32,867)	-	1	5
Depreciation (note 11)	123,817	90,216	242,539	178,696
Interest charges on loans	61,969	47,040	99,681	135,655
Investor relations	38,434	79,447	75,564	145,510
Office	419,431	265,726	798,805	496,008
Regulatory	13,797	19,007	16,235	21,895
Rent	102,824	21,331	127,761	42,584
Salaries and benefits (note 5 and 23)	592,505	366,358	995,282	753,843
Share-based payments (notes 17 and 23)	23,820	47,640	23,820	69,390
	\$ 1,371,428	\$ 978,618	\$ 2,431,817	\$ 1,913,231

(b) Selling and Marketing Expenses by Nature

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Selling and marketing expenses				
Advertising and promotion	\$ 252,616	\$ 153,950	\$ 486,457	\$ 320,665
Salaries and benefits (note 23)	1,081,144	755,826	1,811,625	1,274,077
	\$ 1,333,760	\$ 909,776	\$ 2,298,081	\$ 1,594,741

(c) Research and Development Expenses by Nature

	Three Months Ended		Six Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Research & development expenses				
Research and development materials	\$ 339,552	\$ 345,703	\$ 735,021	\$ 731,898
Research and development salaries and benefits (note 23)	296,950	170,306	535,824	329,259
	\$ 636,502	\$ 516,009	\$ 1,270,845	\$ 1,061,157

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19. Income Tax

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

	For the six months ended February 29, 2024	For the year ended August 31, 2023
Earnings (loss) for the period before income taxes	\$ 3,909,592	\$ 2,871,422
Combined income tax rates	28%	28%
(Decrease) increase attributable to:		
Expected income tax expense (recovery)	\$ 1,067,000	\$ 782,000
Change in statutory, foreign tax, foreign exchange rates and other	(925,000)	(695,000)
Permanent difference	83,000	101,000
Adjustment to prior years provision versus statutory tax return	63,000	(128,000)
	\$ 288,000	\$60,000
Deferred income tax expense (recovery)	\$ 288,000	\$ (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:

	February 29, 2024	August 31, 2023
Property, plant and equipment	\$ 277,000	\$ 51,000
Intangible assets	12,000	(16,000)
Warranty liability	-	21,000
Non-capital losses	1,054,000	1,579,000
ROU asset	(240,000)	(188,000)
Lease liability	262,000	206,000
Net deferred tax asset	\$ 1,365,000	\$ 1,653,000

During the period ended February 29, 2024 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:

	February 29, 2024	Expiry Date Range	August 31, 2023
Property, plant and equipment	1,001,000	No expiry	388,000
ROU assets	(872,000)	No expiry	(719,000)
Intangible assets	43,000	No expiry	(44,000)
Warranty liability	-	No expiry	93,000
Lease liability	952,000	No expiry	771,000
Non-capital losses carry forward	3,941,000	2033 – 2044	5,361,000
Canada	5,038,000	2033 – 2044	5,038,000
USA	(1,097,000)	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 February 29, 2024 and August 31, 2023 is summarized as follows:

	February 29, 2024	August 31, 2023
Financial Assets		
Fair value through profit and loss, at fair value		
Cash	\$ 4,374,903	\$ 4,110,859
Loans and receivable, at amortized cost		
Trade receivables and other receivables (note 7)	8,596,393	4,994,819
Loan Receivable	645,627	1,149,045
Total Financial Assets	\$ 13,616,923	\$ 10,254,723
Financial Liabilities		
Line of credit (note 12)	\$ -	\$ -
Other liabilities, at amortized cost		
Trade payables (note 13)	2,036,563	864,580
Bonus payable (note 23)	-	1,320,000
Lease obligation - current (note 14)	284,393	187,764
Lease obligation – long term (note 14)	842,614	561,851
Salaries and benefits payable (note 13)	495,251	388,014
Total Financial Liabilities	\$ 3,658,821	\$ 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 February 29, 2024 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 February 29, 2024, 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).

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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 February 29, 2024, 2% 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 February 29, 2024 was \$8,596,393 (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 February 29, 2024 and August 31, 2023 are summarized as follows:

	February 29, 2024	August 31, 2023
Payables with contractual maturities:		
Within 90 days or less	\$ 8,394,435	\$ 2,568,658
In later than 90 days, not later than one year	201,950	1,298,020
	\$ 8,596,385	\$ 3,866,678

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 February 29, 2024 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 February 29, 2024 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 February 29, 2024 and August 31, 2023:

	February 29, 2024	August 31, 2023
Cash	\$ 1,234,932	\$ 3,016,871
Trade and other receivables	8,325,828	4,548,777
Trade and other payables	(509,233)	(650,442)
Lease obligations	(665,201)	(227,736)
	\$ 8,386,326	\$ 6,687,470

Based on the above net exposure at February 29, 2024, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an approximately \$838,633 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 February 29, 2024.

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 February 29, 2024, 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 February 29, 2024 remains fundamentally unchanged from the year ended August 31, 2023.

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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 February 29, 2024			For the period ended February 28, 2023		
	Canada	USA	Combined	Canada	USA	Combined
Revenues	\$ 1,018,647	\$ 18,664,650	\$ 19,683,297	\$ 1,034,091	\$ 13,536,740	\$ 14,570,831
Cost of Sales	631,953	9,185,668	9,817,621	643,739	7,835,396	8,479,134
Gross Profit	386,694	9,478,982	9,865,676	390,352	5,701,344	6,091,696
Operating Expenses						
Interest expense (note 18a)	73,454	26,225	99,679	127,700	7,953	135,653
Depreciation expense (note 18a)	100,079	142,460	242,539	100,528	78,168	178,696
Other General & administrative (note 18a) (Restated – note 5)	1,632,436	457,163	2,089,599	1,304,132	294,749	1,598,881
Selling and marketing (note 18b)	1,545,032	753,049	2,298,081	1,329,937	294,749	1,598,881
Research and development (note 18c)	1,219,366	51,479	1,270,845	1,008,666	52,491	1,061,157
	4,570,367	1,430,376	6,000,743	3,870,964	698,165	4,569,129
	\$ (4,183,673)	\$ 8,048,606	\$ 3,864,933	\$ (3,480,612)	\$ 5,003,179	\$ 1,522,567
Other Income (Expenses)						
Interest	30,439	-	30,439	10,077	-	10,077
Foreign exchange	27,999	-	27,999	366,670	-	366,670
Finance costs	-	(13,777)	(13,777)	-	(74)	(74)
Net income (loss) before Income Taxes	(4,125,235)	8,034,829	3,909,592	(3,103,866)	5,003,104	1,899,240
Income tax expense	(288,000)	-	(288,000)	(33,000)	(135,525)	(168,525)
Net Income (Loss)	(4,413,235)	8,034,829	3,621,592	(3,136,866)	4,867,579	1,730,714
Other Comprehensive Income						
Foreign currency translation differences	-	7,380	7,380	-	49,176	49,176
Net comprehensive income (loss)	\$ (4,413,235)	\$ 8,042,209	\$ 3,628,972	\$ (3,136,866)	\$ 4,916,755	\$ 1,779,890
Current Assets	\$ 16,508,466	\$ 3,092,889	\$ 19,601,355	\$ 13,537,407	\$ 1,974,045	\$ 15,511,452
Property, plant and equipment (note 10)	\$ 669,902	\$ 1,186,243	\$ 1,856,145	705,334	367,144	1,072,478
Goodwill	\$ -	\$ 155,062	\$ 155,062	\$ -	\$ 155,449	\$ 155,449

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

	Three Months Ended February 29, 2024	Three Months Ended February 28, 2023	Six Months Ended February 29, 2024	Six Months Ended February 28, 2023
Salaries and short-term benefits	\$ 659,354	\$ 1,476,438	\$ 1,010,891	\$ 1,738,435
Share-based payment	-	-	-	21,750
	\$ 659,354	\$ 1,476,438	\$ 1,010,891	\$ 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 February 29, 2024 and August 31, 2023 are as follows:

	February 29, 2024	August 31, 2023
Chief Executive Officer	\$ -	\$ 1,154,992
Directors	-	5,000
Vice Presidents	151,503	176,930
	\$ 151,503	\$ 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 February 29, 2024 of \$46,943. During the period ended February 29, 2024, 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 February 29, 2024, a loan receivable of \$645,627 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 was paid during the period ended February 29, 2024.

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24. Commitments and Contingencies

As of February 29, 2024, 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

	February 29, 2024	August 31, 2023
Cash paid during the period for:		
Interest payments	\$ 14,089	\$ 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	56,023	34,651

26. Subsequent Events

Subsequent to February 29, 2024, 315,000 stock options were exercised at \$0.12 for gross proceeds of \$37,800.