GATEKEEPER

Fiscal 2021 Third Quarter Report

GATEKEEPER SYSTEMS INC.

Condensed Interim Consolidated
Financial Statements

For the Nine Months Ended May 31, 2021

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)

		May 31, 2021		August 31, 2020
ASSETS				
Current Assets				
Cash and cash equivalents (note 6)	$	4,406,140	$	1,029,324
Trade and other receivables (note 7)		2,399,780		7,720,780
Inventories (note 8)		2,545,484		3,362,516
Prepaid expenses and other current assets		617,656		161,098
		9,969,060		12,273,718
Non-Current Assets				
Loan receivable (note 23)		200,000		200,000
Property, plant and equipment (note 10)		1,298,984		1,504,586
Prepaid expense (note 23)		1,120,000		-
Intangible asset (note 11)		11,638		-
Goodwill (note 9)		152,633		152,633
Deferred tax asset (note 19)		1,168,000		1,471,000
Total Assets	**$**	**13,911,315**	**$**	**15,601,937**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Line of credit (note 12)	$	-	$	1,411,969
Trade and other payables and accrued liabilities (note 13)		809,953		2,401,228
Bonus payable (note 23)		280,000		-
Leases – current (note 14)		140,134		134,837
Unearned revenue		-		635
		1,230,087		3,948,669
Non-Current Liabilities				
Long-term lease obligations (note 14)		701,836		815,395
Bonus payable (note 23)		1,120,000		-
Total Liabilities		3,051,923		4,764,064
Shareholders' Equity				
Share capital (note 15)		16,501,733		16,286,919
Other capital reserves (notes 16 and 17)		2,163,731		2,215,128
Accumulated other comprehensive income (loss)		232,308		(35,082)
Deficit		(8,038,380)		(7,629,092)
		10,859,392		10,837,873
Total Liabilities and Shareholders' Equity	**$**	**13,911,315**	**$**	**15,601,937**

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

APPROVED ON BEHALF OF
THE BOARD OF DIRECTORS

"Colin Sutherland"	***"Douglas Dyment"***
(signed)	*(signed)*
Director	**Director**

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2021	May 31, 2020	**May 31, 2021**	May 31, 2020
Revenues	**$ 3,831,373**	$ 5,653,462	**$ 12,088,139**	$ 12,584,503
Cost of Sales	**1,978,344**	3,246,302	**6,863,804**	7,094,861
Gross Profit	**1,853,029**	2,407,160	**5,224,335**	5,489,642
Operating Expenses				
General and administrative (note 18a)	**668,250**	686,410	**2,090,997**	1,877,144
Selling and marketing (note 18b)	**497,320**	415,772	**1,338,223**	1,547,509
Research and development (note 18c)	**543,378**	370,670	**1,305,623**	1,097,381
	1,708,948	1,472,852	**4,734,843**	4,522,034
Operating Profit	**144,081**	934,308	**489,492**	967,608
Other Income (Expenses)				
Canada emergency wage subsidy	**-**	247,086	**-**	247,086
Interest	**1,161**	3,419	**2,910**	21,078
Foreign exchange	**(390,319)**	35,651	**(594,724)**	23,844
Finance costs	**(34)**	(35)	**(110)**	8,640
Gain or loss on disposal of assets	**-**	(31)	**-**	(1,600)
Write-down of inventory	**(917)**	(44)	**(3,856)**	(11,056)
Recovery of bonus	**-**	-	**-**	16,470
Net income (loss) before income taxes	**(246,028)**	1,220,354	**(106,288)**	1,272,070
Deferred income tax expense (note 19)	**(17,000)**	-	**(303,000)**	-
Net income (loss)	**(263,028)**	1,220,354	**(409,288)**	1,272,070
Other Comprehensive Income				
Foreign currency translation differences	**220,635**	105,074	**267,390**	152,713
Total Comprehensive Income (Loss)	**$ (42,393)**	$ 1,325,428	**$ (141,898)**	$ 1,424,783
Basic earnings (loss) per share	**$ (0.00)**	$ 0.01	**$ (0.00)**	$ 0.01
Weighted Average Number of Shares Outstanding	**89,888,133**	88,209,903	**89,655,804**	88,118,297
Diluted earnings (loss) per share	**$ (0.00)**	$ 0.01	**$ (0.00)**	$ 0.01
Weighted Average Number of Shares Outstanding	**89,888,133**	94,955,653	**89,655,804**	94,864,047

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 NINE MONTHS ENDED

(expressed in Canadian dollars)

	May 31, 2021	May 31, 2020
Cash Flows from Operating Activities		
Net Profit (Loss)	$ (141,898)	$ 1,272,070
Items not affecting cash from operations:		
Depreciation	250,973	169,857
Amortization – intangible assets	613	-
Write-down of inventory	10,575	11,056
Gain on disposal of property, plant and equipment	-	1,600
Share-based payments	24,467	152,173
Deferred tax expense	303,000	-
Unrealized foreign exchange loss (gain)	426,365	114,596
Changes in non-cash working capital balances related to operations:		
Trade and other receivables	6,296,972	(380,473)
Inventories	687,895	(459,750)
Prepaid expenses and other current assets	(459,812)	(218,406)
Trade and other payables	(2,822,423)	(514,719)
Bonus payable	280,000	-
Unearned revenue	(635)	(20,551)
Net cash provided by operating activities	4,856,090	127,453
Cash Flows used in Investing Activities		
Purchase of property, plant and equipment	(70,184)	(189,202)
Proceeds from disposal of equipment	-	35,955
Intangible asset	(12,251)	-
Decrease (increase) in restricted cash	-	299,415
Net cash used in investing activities	(82,435)	146,168
Cash Flows used in Financing Activities		
Draws (repayment) on line of credit	-	(41,372)
Exercise of stock options	140,625	41,500
Draws (repayment) of short-term loan	(1,411,969)	(616,667)
Lease payments	(111,022)	(46,509)
Share issuance costs	(1,675)	-
Net cash used in financing activities	(1,384,041)	(663,048)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents held in USD	(12,798)	24,414
Increase (Decrease) in Cash and Cash Equivalents	3,389,613	(389,427)
Cash and Cash Equivalents – Beginning of the period	1,029,324	2,118,812
Cash and Cash Equivalents – End of the period	$ 4,406,140	$ 1,753,799

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 SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MAY 31, 2021 AND MAY 31, 2020

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

	Common Shares					
	Shares	**Amount**	**Reserves**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
Balance – August 31, 2019	87,597,144	$ 15,881,627	$ 2,235,452	$ 9,135	$ (11,208,316)	$ 6,917,898
Exercise of options	350,000	41,500	-	-	-	41,500
Issuance of bonus shares (note 23)	878,000	118,530	-	-	-	118,530
Share-based payments (note 19)	-	-	33,643	-	-	33,643
Foreign currency translation	-	-	-	143,578	-	143,578
Net income (loss)	-	-	-	-	1,272,070	1,272,070
Balance – May 31, 2020	88,825,144	$ 16,041,657	$ 2,269,095	$ 152,713	$ (9,936,246)	$ 8,527,219
Balance – August 31, 2020	89,375,144	$ 16,286,919	$ 2,215,128	$ (35,082)	$ (7,629,092)	$ 10,837,873
Exercise of options	925,000	140,625	-	-	-	140,625
Re-allocated on exercise of stock options	-	75,864	(75,864)	-	-	-
Issuance of bonus shares (note 23)	-	(1,675)	-	-	-	(1,675)
Share-based payments (note 17)	-	-	24,467	-	-	24,467
Foreign currency translation	-	-	-	267,390	-	267,390
Net income (loss)	-	-	-	-	(409,288)	(409,288)
Balance – May 31, 2021	90,300,144	$ 16,501,733	$ 2,163,731	$ 232,308	$ (8,038,380)	$ 10,859,392

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

1. Description of Business and Nature of Operations

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

On March 1, 2018, the Company formed a wholly-owned subsidiary called Gatekeeper Systems USA Inc. (the "Subsidiary").

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.

The subsidiary company, Gatekeeper Systems USA Inc., was formed as a corporation 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 consolidated financial statements (the "financial statements") as at May 31, 2021 and August 31, 2020 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a reported total comprehensive loss of $141,898 for the nine months ended May 31, 2021 (May 31, 2020 – net income $1,424,783) and has a working capital of $8,738,973 at May 31, 2021 (August 31, 2020 – $8,325,049).

The Company had cash and cash equivalents of $4,406,140 at May 31, 2021 (August 31, 2020 – $1,029,324), but management cannot provide assurance that the Company will maintain profitable operations or become cash flow positive or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

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

2. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These 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, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these financial statements should be read in conjunction with the Company's most recent annual financial statements. These financial statements were approved for issuance by the Board of Directors on July 23, 2021.

The Company's 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. In addition, these financial statements have been prepared using the accrual basis of accounting, expect for cash flow information.

These financial statements incorporate the financial statements of the Company and its controlled, wholly-owned subsidiaries. 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 financial statements are consistent with those described in the audited consolidated financial statements for the year ended August 31, 2020.

4. Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment include those that relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Significant Estimates

(a) Allowances for Doubtful Accounts

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

4. Significant Accounting Judgments and Estimates (continued)

Significant Estimates (continued)

(b) Inventory Valuation

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

(c) Impairment of Financial Assets

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

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

(d) Warranty Provision

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

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

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

(f) Leases

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

4. Significant Accounting Judgments and Estimates (continued)

Significant Estimates (continued)

(g) Share-Based Payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3 of the August 31, 2020 audited consolidated financial statements. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

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

(h) Current and Deferred Income Taxes

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

Significant Judgements

(a) Current and Deferred Income Taxes

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

(expressed in Canadian dollars except where noted)

5. Accounting Standards and Amendments Issued and Adopted

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

6. Cash and Cash Equivalents

	May 31, 2021	August 31, 2020
Cash	$ 4,406,140	$ 1,029,324
	$ 4,406,140	$ 1,029,324

7. Trade and Other Receivables

	May 31, 2021	August 31, 2020
Trade receivables	$ 2,358,616	$ 7,691,540
Income tax receivable	18,421	19,380
Other receivable	22,743	9,860
	$ 2,399,780	$ 7,720,780

The Company's line of credit is secured by a first charge over the assets of the Company, including trade and other receivables with a carrying value of $2,399,780 (note 12).

8. Inventories

	May 31, 2021	August 31, 2020
Raw materials	$ 258,893	$ 367,699
Finished goods	2,286,591	2,994,817
	$ 2,545,484	$ 3,362,516

For the three and nine month period ended May 31, 2021, the cost of inventories recognized as an expense and included in cost of sales was $1,494,699 and $5,092,230 respectively (May 31, 2020 - $3,246,302 and $7,094,861 respectively).

For the three and nine month period ended May 31, 2021 a write-down of inventories of $917 and $3,856 respectively (May 31, 2020 - $44 and $11,056 respectively) which was included in cost of sales.

The Company's line of credit is secured by a first charge over the assets of the Company, including inventories with a carrying value of $2,545,484 (note 12). As at May 31, 2021, there was Nil owing under the line of credit (August 31, 2020 - $1,411,969).

(expressed in Canadian dollars except where noted)

9. Business Combination

Effective April 1, 2018 the Company's wholly owned subsidiary, Gatekeeper Systems USA Inc., purchased certain operating assets and service contracts from Wilmington, Delaware-based Spector Logistics, Inc. In the agreement for Purchase and Sale of Business Assets (the "Agreement"), Spector Logistics, Inc. indemnified Gatekeeper Systems Inc. from all pre-existing liabilities relating to the purchase transaction. The assets and contracts acquired under the Agreement represented substantially all of the business of Spector Logistics, Inc. and therefore the transaction is being accounted for as a business combination.

The business assets of Spector Logistics, Inc. were acquired for a purchase price of US$300,000 with payment terms of US$100,000 due upon closing, US$50,000 due April 1, 2019, and US$150,000 payable in 12 monthly installments of US$12,500 commencing May 1, 2018. As at May 31, 2021, included in accrued and other liabilities is $83,347 (US$67,248) (August 31, 2020 - $87,684) related to the Agreement (notes 13 and 24).

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

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

The goodwill of $152,633 (US$114,225) is 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.

(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**	**Leased Office Equipment**	**Technical Equipment**	**Research and Development Equipment**	**Leasehold Improvements**	**Right of Use Asset - Leased Automobile**	**Right of Use Asset – Office Leases**	**Total**
August 31, 2019	$ 90,285	$ 448,112	$ 62,177	$ -	$ 183,995	$ 55,088	$ 297,495	$ 161,922	$ -	$ 1,299,074
Additions	-	150,497	875	3,964	10,757	5,437	33,807	-	987,278	1,192,615
Disposal	-	-	-	-	(2,958)	-	-	(39,663)	-	(42,621)
Foreign currency difference	(2,186)	(2,060)	(358)	-	(498)	-	(2,908)	(3,921)	-	(11,931)
August 31, 2020	**$ 88,099**	**$ 596,549**	**$ 62,694**	**$ 3,964**	**$ 191,296**	**$ 60,525**	**$ 328,394**	**$ 118,338**	**$ 987,278**	**$ 2,437,137**
Additions	-	43,149	1,357	11,945	15,191	-	7,127	-	-	78,770
Disposal	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	(4,358)	(6,283)	(713)	-	(1,029)	-	(7,847)	(5,853)	(19,139)	(45,222)
May 31, 2021	**$ 83,741**	**$ 633,415**	**$ 63,338**	**$ 15,909**	**$ 205,458**	**$ 60,525**	**$ 327,674**	**$ 112,485**	**$ 968,139**	**$ 2,470,685**

Depreciation	**Automotive**	**Computer Equipment and Software**	**Furniture and Fixtures**	**Leased Office Equipment**	**Technical Equipment**	**Research and Development Equipment**	**Leasehold Improvements**	**ROU Asset - Leased Automobile**	**ROU Asset – Office Leases**	**Total**
August 31, 2019	$ 44,206	$ 142,632	$ 33,609	$ -	$ 102,135	$ 55,088	$ 185,628	$ 19,707	$ -	$ 583,005
Depreciation	30,298	103,559	8,596	3,964	30,937	544	28,918	24,533	132,116	363,465
Disposal	-	-	-	-	(296)	-	-	(4,831)	-	8,792
Foreign currency difference	(2,002)	(1,403)	(199)	-	(180)	-	(2,177)	(1,231)	(1,600)	(6,730)
August 31, 2020	**$ 72,502**	**$ 244,788**	**$ 42,006**	**$ 3,964**	**$ 132,596**	**$ 55,632**	**$ 212,369**	**$ 38,178**	**$ 130,516**	**$ 932,551**
Depreciation	10,427	84,731	6,065	1,791	22,019	816	23,099	12,032	93,898	254,878
Disposal	-	-	-	-	-	-	-	-	-	-
Foreign currency difference	(3,221)	(1,053)	(287)	1	(201)	-	(3,734)	(2,147)	(380)	(6,728)
May 31, 2021	**$ 79,708**	**$ 328,466**	**$ 47,784**	**$ 5,756**	**$ 154,414**	**$ 56,448**	**$ 231,734**	**$ 52,357**	**$ 224,034**	**$ 1,180,701**

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**	**Total**
August 31, 2020	$ 15,597	$ 351,761	$ 20,688	$ -	$ 58,700	$ 4,893	$ 116,025	$ 80,160	$ 856,762	$ 1,504,586
May 31, 2021	**$ 4,033**	**$ 304,949**	**$ 15,554**	**$ 10,153**	**$ 51,044**	**$ 4,077**	**$ 95,940**	**$ 60,128**	**$ 744,105**	**$ 1,289,984**

The Company's line of credit is secured by a first charge over the assets of the Company, including property, plant and equipment with a carrying value of $1,289,984 (note 12).

(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 over the useful life of the asset and $408 in amortization was recognized for the period.

12. Line of Credit and Short-Term Loan

Effective June 12, 2018, and amended July 12, 2019, the Company entered into a non-dilutive, revolving, secured line of credit of up to $1,000,000 (the “Line of Credit”) with a lender. Funds are to be available to the Company under the Line of Credit pursuant to an availability formula based on eligible receivables and inventory and is secured by a general security agreement over the assets of the Company. As at May 31, 2021 there was $Nil advanced or owing under the Line of Credit (August 31, 2020 - $Nil), which was repaid in full during the year ended August 31, 2020.

The Company agreed to pay a related party an annual fee of US$18,750 as consideration for subordinating the related party’s first charge over the Company’s assets on any debts to the related party by the Company. During the year ended August 31, 2020, the Company terminated this agreement and made a final payment of $1,297 to the related party.

The Company entered into a $500,000 demand non-revolving short-term loan facility (the “Short-Term Loan”) effective July 12, 2019 which shall be repaid in full on or before the sixth month anniversary of the initial advance. As at May 31, 2021, there was $Nil owing under the Short-Term Loan (August 31, 2020 - $Nil), which was repaid in full during the year ended August 31, 2020.

On July 23, 2020, the Company entered into a $3,000,000 revolving credit facility (the “Credit Facility”) bearing interest at a rate of prime plus 0.85% per annum and United States base rate (USBR) loans at a rate of prime plus 0.75%. The Credit Facility is intended to be used for general working capital purposes. The Credit Facility is secured by a general security agreement (GSA) for Gatekeeper Systems Inc., representing a first charge on the Company’s present and after acquired personal property, and a uniform commercial code security agreement (“UCC”) for Gatekeeper Systems USA Inc., among other customary guarantees, and is repayable upon demand. The initial drawdown under the Credit Facility is subject to satisfaction or waiver of certain conditions precedent customary for a financing of this type.

As at May 31, 2021, there was $Nil owing under the Credit Facility (August 31, 2020 - $1,411,969).

13. Trade and Other Payables and Accrued Liabilities

		May 31, 2021		**August 31, 2020**
Trade payables	$	343,163	$	1,537,094
Salaries and benefits payable		280,598		308,695
Provincial Sales Tax payable and State Sales Tax Payable		3,610		12,427
Accrued and other liabilities		97,724		450,967
Accrued warranty liabilities		84,858		92,045
	$	809,953	$	2,401,228

Included in trade and other payables and accrued liabilities are amounts of $10,053 (August 31, 2020 - $113,808) 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 loss and comprehensive loss includes management's best estimate of the total costs of all raw materials, labour and travel expenses required to repair issues related to all products that were sold and shipped prior to period end. During the period ended May 31, 2021, warranty expense included in cost of sales was $8,313 (2020 – $10,372)

As at May 31, 2021 included in accrued and other liabilities is $83,347 (US$67,248) (August 31, 2020 - $87,684 (US$67,248)) related to an Asset Purchase Agreement (note 9).

(expressed in Canadian dollars except where noted)

14. Leases

On September 1, 2019, the Company adopted IFRS 16, Leases. At the date of adoption, the Company had two building leases and four automobile leases affected by the transition to IFRS 16.

The two building leases include office and warehouse space for the Company's headquarters located in Abbotsford, BC in Canada and for the US Subsidiary in Bristol, Pennsylvania. These leases were previously accounted for as operating leases under IAS 17. The fair value of the lease liability was estimated using level 2 inputs on the adoption date of IFRS 16 using the Company's incremental borrowing rate of 5.28% and a weighted average lease term of 7.57 years.

The four automobile leases were previously accounted for as finance leases under IAS 17. During the year ended August 31, 2019, the fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the implicit rate of the leases at 6.325%, a weighted average lease term of 4 years and a weighted average Guaranteed Residual Value of $29,398. During the year ended August 31, 2020, one of the four automobile leases was terminated.

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

The following table presents lease obligations for the Company for the period ended May 31, 2021:

	Automobile Leases	Office Leases	Copier Lease	Total
	$	$	$	$
Balance, August 31, 2019 and September 1, 2019	128,540	-	-	128,540
Additions	-	987,278	-	987,278
Disposals	(31,024)	-	-	(31,024)
Interest	5,728	45,620	-	51,348
Lease payments	(28,357)	(156,410)	-	(184,767)
FX Adjustment	(2,417)	1,274	-	(1,143)
Balance, August 31, 2020	**72,470**	**877,762**	-	**950,232**
Additions	-	-	11,945	11,945
Interest	3,012	32,984	482	36,477
Lease payments	(18,817)	(109,799)	(2,064)	(130,680)
FX Adjustment	(3,935)	(22,069)	-	(26,004)
Balance, May 31, 2021	**52,730**	**778,878**	**10,362**	**841,970**
Less: Current portion	**(22,766)**	**(115,151)**	**(2,217)**	**(140,134)**
Non-current lease liability	**29,964**	**663,727**	**8,145**	**701,836**

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

	Automobile Leases	Office Leases	Copier Lease	Total
Less than one year	$ 22,766	$ 115,151	$ 2,217	$ 140,134
One to five years	29,964	663,726	8,146	701,836
More than five years	-	-	-	-
	$ 52,730	$ 778,877	$ 10,363	$ 841,970

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.

(expressed in Canadian dollars except where noted)

15. Share Capital (continued)

At May 31, 2021, the Company had 90,300,144 common shares outstanding (August 31, 2020 – 89,375,144), Nil Class A preferred shares outstanding (August 31, 2020 – Nil), Nil Class B preferred shares outstanding (August 31, 2020 – Nil) and, Nil Class C preferred shares outstanding (August 31, 2020– Nil).

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

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

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

(b) Issued Share Capital

During the period ended May 31, 2021, 925,000 options were exercised between $0.11 and $0.25 per share for gross proceeds of $140,625. The options exercised had a fair value of $75,864, which has been recorded to reserves.

During the year ended August 31, 2020, 900,000 options were exercised between $0.11 and $0.30 per share for gross proceeds of $147,000. The options exercised had a fair value of $91,472, which has been reclassified from Reserves to Share Capital.

During the year ended August 31, 2020, 878,000 common shares were issued to the Chief Executive Officer of the Company, as a bonus, at a fair market value of $166,820, of which $31,820 was recorded as salaries and benefits expense included in general and administrative expenses and $135,000 was accrued for during the year ended August 31, 2019. (Note 23)

16. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2020 and May 31, 2021	-	-

(expressed in Canadian dollars except where noted)

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 May 31, 2021 were as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2019	$0.17	7,773,250
Options granted	$0.14	770,000
Options exercised	$0.16	(900,000)
	$0.17	7,643,250
Balance – August 31, 2020		
Options cancelled	$0.24	(23,750)
Options granted	$0.87	850,000
Options exercised	$0.18	(925,000)
Balance – May 31, 2021	$0.19	7,544,500

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

During the period ended May 31, 2021, the Company recorded total share-based payments of $24,467 (2020 – $152,173) which has been charged to general and administrative expense for the period. The share-based payments expense was in respect of the continued vesting of stock options granted during the period ended May 31, 2021.

Incentive share options outstanding and exercisable at May 31, 2021 are summarized as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price
$0.105	200,000	7.46	$0.105	200,000	7.46	$0.105
$0.11	325,000	3.04	$0.11	300,000	3.04	$0.11
$0.12	1,350,000	6.57	$0.12	1,300,000	6.56	$0.12
$0.12	980,000	3.15	$0.12	765,000	3.15	$0.12
$0.13	500,000	4.93	$0.13	500,000	4.93	$0.13
$0.16	175,000	3.95	$0.16	175,000	3.95	$0.16
$0.18	125,000	3.13	$0.18	125,000	3.13	$0.18
$0.195	720,000	5.16	$0.195	720,000	5.16	$0.195
$0.25	1,467,500	1.84	$0.25	1,467,500	1.84	$0.25
$0.30	352,000	2.28	$0.30	352,000	2.28	$0.30
$0.135	500,000	3.85	$0.135	225,000	3.85	$0.135
$0.87	850,000	4.87	$0.87	-	4.87	$0.87
	7,544,500	4.15	$0.25	6,129,500	4.08	$0.17

(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:

	Three Months Ended		Nine Months Ended	
	May 31, 2021	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
General & administrative expenses				
Accounting and legal	$ 27,911	$ 17,121	$ 87,842	$ 82,703
Bad debt	207	-	(2,738)	-
Depreciation (note 11)	86,710	63,197	263,514	169,857
Interest charges on loans	23,188	22,420	106,397	64,010
Investor relations	27,616	36,345	107,376	74,346
Office	148,990	205,431	454,481	558,491
Regulatory	7,963	6,903	25,867	21,601
Rent	14,549	58,640	47,559	169,004
Salaries and benefits (note 23)	352,486	251,514	976,232	703,489
Share-based payments (notes 17 and 23)	(21,306)	24,839	24,467	33,643
	$668,244	$ 686,410	$2,090,997	$ 1,877,144

(b) Selling and Marketing Expenses by Nature

	Three Months Ended		Nine Months Ended	
	May 31, 2021	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Selling and marketing expenses				
Advertising and promotion	$ 39,183	$ 6,268	$ 102,313	$ 318,424
Salaries and benefits (note 23)	458,137	447,281	1,235,910	1,266,862
	$ 497,320	$ 453,549	$ 1,338,223	$ 1,131,737

(c) Research and Development Expenses by Nature

	Three Months Ended		Nine Months Ended	
	May 31, 2021	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Research & development expenses				
Research and development materials	$ 427,557	$ 279,768	$ 973,750	$ 823,689
Research and development salaries and benefits (note 23)	115,821	90,903	331,873	273,692
	$ 543,378	$ 370,670	$ 1,305,623	$ 1,097,381

(expressed in Canadian dollars except where noted)

19. Income Tax

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

	For the nine months ended May 31, 2021	For the year ended August 31, 2020
Earnings (loss) for the period before income taxes	$ 200,583	$ 2,108,224
Combined income tax rates	27%	27%
(Decrease) increase attributable to:		
Expected income tax expense (recovery)	58,000	575,000
Change in statutory, foreign tax, foreign exchange rates and other	191,000	(27,000)
Permanent difference	54,000	52,000
Change in unrecognized deductible temporary differences	-	(600,000)
Change in recognition of deferred tax assets	-	(1,471,000)
	$ 303,000	$ (1,471,000)
Deferred income tax expense	$ 303,000	$ -
Deferred income tax recovery	$ -	$ 1,471,000
Provision for (recovery of) income taxes	$ 303,000	$ (1,471,000)

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

	May 31, 2021	August 31, 2020
Share issuance costs	$ 2,000	$ 2,000
Property, plant and equipment	73,000	27,000
Intangible assets	(8,000)	(7,000)
Warranty liability	24,000	25,000
Non-capital losses	1,107,000	1,420,000
ROU asset	(223,000)	(260,000)
Lease liability	(193,000)	264,000
	1,168,000	1,471,000
Unrecognized deferred tax asset	-	-
Net deferred tax asset	$ 1,168,000	$ 1,471,000

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

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

	May 31, 2021	Expiry Date Range	August 31, 2020
Property, plant and equipment	271,000	No expiry	99,000
ROU assets	(804,000)	No expiry	(937,000)
Intangible assets	(28,000)	No expiry	(24,000)
Share issuance costs	6,000	2041	6,000
Warranty liability	84,000	No expiry	87,000
Lease liability	694,000	No expiry	950,000
Non-capital losses carry forward	4,082,000	2029 - 2041	5,257,000

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

(expressed in Canadian dollars except where noted)

20. Financial Instruments

Financial Assets and Liabilities

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

		May 31, 2021		August 31, 2020
Financial Assets				
Fair value through profit and loss, at fair value				
Cash and cash equivalents (note 6)	$	4,406,140	$	1,029,324
Loans and receivable, at amortized cost				
Trade receivables and other receivables (note 7)		2,381,359		7,701,400
Total Financial Assets	$	6,787,499	$	8,730,724
Financial Liabilities				
Line of credit (note 12)	$	-	$	1,411,969
Other liabilities, at amortized cost				
Trade payables (note 13)		446,006		1,537,094
Bonus payable (note 23)		1,400,000		-
Finance lease obligation - current (note 14)		140,134		134,837
Long-term finance lease obligation (note 14)		701,836		815,395
Spector Logistics, Inc. purchase payable (notes 9 and 13)		83,347		87,684
Salaries and benefits payable (note 13)		280,598		308,695
Total Financial Liabilities	$	3,051,921	$	4,295,674

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 May 31, 2021, the Company used level 2 inputs to determine the fair value of the finance lease obligation.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at May 31, 2021, the Company does not have any Level 3 financial instruments.

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

Financial Instrument Risk Exposure

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

(expressed in Canadian dollars except where noted)

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 May 31, 2021, 14% of the Company's trade accounts receivable balance is over 90 days past due (August 31, 2020 – 26%). The carrying amount of trade and other receivables as at May 31, 2021 was $2,399,780 (August 31, 2020 - $7,720,780). The Company insures its non-government accounts receivable.

b) Liquidity Risk

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

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

The Company coordinates this planning and budgeting process with its financing activities through the capital management process (note 21). The Company's financial liabilities are comprised of its trade payables, short-term loan, finance lease obligation, Spector Logistics, Inc. purchase payable, and salaries and benefits payable, the contractual maturities of which at May 31, 2021 and August 31, 2020 are summarized as follows:

	May 31, 2021	August 31, 2020
Payables with contractual maturities:		
Within 90 days or less	$ 505,185	$ 1,793,149
In later than 90 days, not later than one year	892,590	2,002,323
	$ 1,397,774	$ 3,795,472

c) Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company has no significant exposure at May 31, 2021 to interest rate risk through its financial instruments.

Commodity Price Risk

Commodity price risk is the risk due to which business financial performance is adversely affected by fluctuations in the prices of commodities. The Company has no significant exposure at May 31, 2021 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 May 31, 2021 and August 31, 2020:

	May 31, 2021	August 31, 2020
Cash and cash equivalents	$ 3,946,597	$ 538,191
Trade and other receivables	2,006,344	7,208,833
Trade and other payables and accrued liabilities	(288,770)	1,941,883)
Lease liabilities	(353,015)	(419,235)
	$ 5,311,157	$ 5,385,906

Based on the above net exposure at May 31, 2021, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an approximately $531,000 decrease or increase respectively in both net and comprehensive loss (August 31, 2020 – 538,591). The Company has not employed any currency hedging as at May 31, 2021.

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 shareholders' equity. During the year, the Company was subject to financial covenants related to its Lines of Credit. During the period ended May 31, 2021 and the year ended August 31, 2020, the Company was in compliance with any required financial covenants.

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

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:

(expressed in Canadian dollars)	For the three months ended May 31, 2021			For the three months ended May 31, 2020		
	Canada	**USA**	**Combined**	**Canada**	**USA**	**Combined**
Revenues	$ 733,045	$ 3,098,329	$ 3,831,374	$ 522,354	$ 5,131,108	$ 5,653,462
Cost of Sales	426,563	1,551,781	1,978,344	306,008	2,940,294	3,246,302
Gross Profit	306,482	1,546,548	1,853,030	216,346	2,190,815	2,407,160
Operating Expenses						
Interest expense	17,666	5,458	23,124	20,987	1,433	22,420
Depreciation expense	51,562	35,148	86,710	31,869	31,327	63,197
Other General & administrative (note 18a)	476,278	82,138	558,416	435,928	127,088	563,016
Selling and marketing (note 18b)	483,715	13,605	497,320	447,068	6,480	453,549
Research and development (note 18c)	543,378	-	543,378	370,670	-	370,670
	1,572,599	136,350	1,708,949	1,306,523	166,330	1,472,852
	$ (1,266,117)	$ 1,410,198	$ 144,081	$ (1,090,177)	$ 2,024,485	$ 934,308
Other Income (Expenses)						
Interest	1,161	-	1,161	3,419	-	7,978
Canada emergency wage subsidy	-	-	-	247,086	-	247,086
Foreign exchange	(390,317)	-	(390,317)	36,419	(768)	35,651
Finance costs	(3)	(34)	(37)	-	(35)	(35)
Write-down of Inventory	(917)	-	(917)	(44)	-	(44)
Disposal of assets	-	-	-	(31)	-	(31)
Net income (loss) before Income Taxes	(1,656,193)	1,410,165	(246,028)	(803,328)	2,023,682	1,220,354
Income tax expense	(17,000)	-	(17,000)	-	-	-
Net Income (Loss)	(1,673,193)	1,410,165	(263,028)	(803,328)	2,023,682	1,220,354
Other Comprehensive Income						
Foreign currency translation differences	-	220,635	220,635	-	105,074	105,074
Net comprehensive income (loss)	$ (1,673,193)	$ 1,630,800	$ (42,393)	$ (803,328)	$ 2,128,756	$ 1,325,428

22. Segmented Information (continued)

(expressed in Canadian dollars)	For the nine months ended May 31, 2021			For the nine months ended May 31, 2020		
	Canada	USA	Combined	Canada	USA	Combined
Revenues	$ 1,932,606	$ 10,155,533	$ 12,088,139	$ 1,848,025	$ 10,736,478	$ 12,584,503
Cost of Sales	1,234,849	5,628,955	6,863,804	1,366,818	5,728,044	7,094,862
Gross Profit	697,757	4,526,579	5,224,336	481,207	5,008,435	5,489,641
Operating Expenses						
Interest expense	90,046	16,351	106,397	57,423	6,588	64,010
Depreciation expense	151,632	111,882	263,514	93,144	76,713	169,857
General & administrative (note 18a)	1,448,981	272,105	1,721,086	1,277,105	328,394	1,605,499
Selling and marketing (note 18b)	1,310,355	27,868	1,338,223	1,564,216	21,070	1,585,286
Research and development (note 18c)	1,305,623	-	1,305,623	1,097,381	-	1,097,381
	4,306,637	428,206	4,734,843	4,089,270	432,764	4,522,033
	$ (3,608,880)	$ 4,098,372	$ 489,492	$ (3,608,063)	$ 4,575,671	$ 967,608
Other Income (Expense)						
Interest	2,911	-	2,911	21,077	-	21,077
Foreign exchange gain (loss)	(594,725)	-	(594,725)	247,086	-	247,086
Finance costs	-	(110)	(110)	23,845	-	23,844
Write-down of inventory	(3,856)	-	(3,856)	8,754	(114)	8,640
Disposal of assets	-	-	-	(11,056)	-	(11,056)
Tax recovery	(303,000)	-	(303,000)	-	-	-
Net income (loss) before income taxes	(4,490,550)	4,098,262	(409,288)	(1,600)	-	(1,600)
Income tax recovery (expense)	-	-	-	16,470	-	16,470
Net income (loss)	(4,507,550)	4,098,262	(409,288)	(3,303,487)	4,575,557	1,272,070
Other Comprehensive Income (Loss) Foreign currency translation differences	-	267,390	267,390	-	152,713	152,713
Net comprehensive income (loss)	$ (4,507,550)	$ 4,365,653	$ (141,898)	$ (3,303,487)	$ 4,728,270	$ 1,424,783
Current Assets	9,408,807	560,253	9,969,060	$ 3,620,405	$ 5,343,133	$8,963,538
Property, plant and equipment (note 10)	723,687	566,297	1,289,984	$ 331,905	$ 372,120	$ 704,025
Goodwill (note 9)	-	152,633	152,633	$ -	$ 152,633	$ 152,633

(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

	Three months ended		Nine months ended	
	May 31, 2021	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Salaries and short-term benefits	$ 231,608	$ 82,015	$ 685,592	$ 231,046
Share-based payment	Nil	24,838	Nil	24,838
	$ 231,608	$ 106,853	$ 685,592	$ 255,884

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 May 31, 2021 and August 31, 2020 are as follows:

	May 31, 2021	**August 31, 2020**
Chief Executive Officer	$ -	$ 44,266
Directors	3,900	3,000
Vice Presidents	6,153	66,542
	$ 10,053	$ 113,808

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).

c) Other Related Party Transactions

On September 1, 2020, the Company entered in a new employment contract with the Chief Executive Officer. As a result of this, a bonus in the amount of $1,400,000 is payable to the Chief Executive Officer over the following five years. There are no set terms of payment besides the five year time frame, and will be paid at the discretion of the Chief Executive Officer. No portion of the bonus has been paid as at May 31, 2021.

On March 10, 2020, the Chief Executive Officer received a bonus of 878,000 common shares of the Company at a fair market value of $166,820, of which $31,820 was included in general and administrative expenses and $135,000 was accrued for during the year ended August 31, 2019. (Note 15)

On December 16, 2019, the Company advanced to the Chief Executive Officer a loan of $200,000 bearing an interest of 1% per annum repayable in two years. The Company earned interest of $2,923 during the nine months ended May 31, 2021.

The Company had agreed to pay the Chief Executive Officer an annual fee of US$18,750 as consideration for subordinating the related party's first charge over the Company's assets on any debts to the related party by the Company. During the period ended August 31, 2020, the Company terminated this agreement and made a final payment of $1,297 CDN to the related party.

(expressed in Canadian dollars except where noted)

24. Commitments and Contingencies

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

a) The Company has commitments to make payments related to the acquisition of certain operating assets and service contracts of Spector Logistics, Inc. (note 9).

b) 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

	May 31, 2021	May 31, 2020
Non-cash inventing and financing transactions		
Stock options exercised	$ 75,864	$ -