GATEKEEPER

GATEKEEPER SYSTEMS INC.

Management's Discussion and Analysis

For the Six Months Ended February 29, 2020

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FOR THE SIX MONTHS ENDED FEBRUARY 29, 2020

General

This Management's Discussion and Analysis ("MD&A") has been prepared as of April 22, 2020 and should be read in conjunction with the Company's February 29, 2020 unaudited condensed interim consolidated financial statements with accompanying notes ("F2020-Q1 Interim F/S") which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the consolidated financial statements of Gatekeeper Systems Inc. ("Gatekeeper." "GSI," or the "Company") for the year ended August 31, 2019 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures are expressed in Canadian dollars unless otherwise stated.

This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding developments in the Company's operations in future periods, adequacy of financial resources, and future plans and objectives of the Company. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on this forward-looking information.

These documents and additional information on the Company are available on the SEDAR website at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements about our activities, events and developments that we expect to, or anticipate may occur in the future including, for example, statements about our business outlook, assessment of market conditions, strategies, future plans and future sales. Forward-looking statements normally contain words like believe, expect, anticipate, plan, intend, continue, estimate, may, will, should and similar expressions. Such statements are not guarantees of future performance. They are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

We have based these statements on estimates and assumptions that we believed were reasonable when the statements were prepared. Our actual results could be substantially different because of the risks and uncertainties associated with our business. Important risks that could cause such differences include, but are not limited to, the length of sales cycles, rapid technological advancement, competition, the availability of critical inputs, foreign exchange rate occurrences and doing business in foreign countries. Additionally, differences could arise because of events that are announced or completed after the date of this report, including mergers, acquisitions, other business combinations and divestitures. Such risks, uncertainties and other factors include, among other things, those risks identified in the Company's Qualifying Transaction filed on SEDAR at www.sedar.com.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

Description of Business

Gatekeeper Systems Inc. (the “Company” or “Gatekeeper” or “we” or “our”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on August 26, 2010 and completed its initial public offering as a Capital Pool Company (“CPC”) on January 7, 2011. As a CPC, the Company’s only business had been to identify and evaluate businesses or assets with a view of completing a Qualifying Transaction.

Gatekeeper engineers, manufactures and distributes industry leading high-definition mobile video surveillance and safety solutions for a range of markets including school districts, law enforcement, public transit authorities, as well as the US military and Coast Guard.

On February 19, 2013, the Company completed the acquisition of all of the issued and outstanding shares of the private company, GSI Systems Inc. (“GSI”) through a reverse takeover arrangement (the “RTO”) with Indigo Sky Capital Corp. (“Indigo”), constituting its Qualifying Transaction under the applicable policies of the TSX Venture Exchange (“TSX-V”). Upon completion of the RTO, the shareholders of GSI obtained control of the consolidated entity. Under the purchase method of accounting, GSI has been identified as the acquirer, and accordingly the entity is considered to be a continuation of GSI with the net assets of the Company at the date of the RTO deemed to have been acquired by GSI. As a result, these consolidated financial statements are a continuation of the financial statements of GSI and references to the “Company” or “Gatekeeper” will mean the combined entity subsequent to the date of the Qualifying Transaction and to GSI prior to that date. On May 28, 2013, Indigo changed its name to Gatekeeper Systems Inc. and its trading symbol on the TSX-V to “GSI”.

Effective August 31, 2018, Gatekeeper Systems Inc. and its wholly owned subsidiary, GSI Systems Inc., combined by amalgamating into a single company, to carry on business under the name Gatekeeper Systems Inc. The amalgamation had no financial impact on its consolidated financial statements as the two entities have historically been consolidated for reporting purposes. From August 31, 2018 onward, Gatekeeper Systems Inc. is the operating entity and is being consolidated with its remaining wholly owned subsidiaries: Gatekeeper Systems USA Inc. and Deep Development Corp. Deep Development Corp. has no current or historical business activity.

Under Part 1 of National Instrument 51-102F1, following a reverse takeover, the RTO acquiree (Gatekeeper) is the reporting issuer and the financial statements are those of the RTO acquirer (GSI). The consolidated financial statements must be prepared and filed as if the RTO acquirer (GSI) has always been the reporting issuer. As a result, this MD&A and the related audited consolidated financial statements are a continuation of the MD&A and financial statements of Gatekeeper with the comparative information being that of GSI.

The word “Company” in this MD&A will be in reference to the combined company for the period after the Arrangement and to Gatekeeper for the period prior to the Qualifying Transaction.

(in Canadian dollars, except where noted)

Selected Financial Information

The following sets out selected financial information from the Company's four most recently completed financial years and are derived from the Company's consolidated financial statements. Users of this information should read the following in conjunction with those statements thereto.

	For the years ended August 31, 2019	August 31, 2018	August 31, 2017	August 31, 2016
Revenue	**$ 13,726,313**	**$ 7,850,933**	$ 7,605,107	$ 9,899,875
Cost of Sales	**$ 7,622,185**	**$ 3,661,863**	$ 3,753,445	$ 4,848,332
Gross Profit	**$ 6,104,128**	**$ 4,189,070**	$ 3,851,662	$ 5,051,543
Gross Margin Percentage	***44%***	***53%***	*51%*	*51%*
Expenses	**$ 6,482,996**	**$ 5,584,266**	$ 3,949,476	$ 4,243,305
Operating Income (Loss)	**$ (378,868)**	**$ (1,395,196)**	$ (97,814)	$ 808,238
Net Income (Loss) for the year	**$ (285,827)**	**$ (1,323,277)**	$ (331,759)	$ 695,566
Earnings (Loss) per share –				
Basic	**$ (0.00)**	**$ (0.02)**	$ (0.00)	$ 0.01
Diluted	**$ (0.00)**	**$ (0.02)**	$ (0.00)	$ 0.01
Total Assets	**$ 9,249,093**	**$ 7,894,272**	$ 8,871,139	$ 4,549,330
Total Non-Current Liabilities	**$ 101,608**	**$ -**	$ -	$ -
Total Liabilities	**$ 2,331,195**	**$ 873,817**	$ 825,991	$ 1,034,998
Total Shareholders' Equity	**$ 6,917,898**	**$ 7,020,455**	$ 8,045,148	$ 3,514,332

Overview

Gatekeeper engineers, manufactures and distributes industry leading high-definition mobile video surveillance and safety solutions for a range of markets including school districts, law enforcement, public transit authorities, as well as the US military and Coast Guard. Gatekeeper's mobile video solutions integrate high-definition digital video (HDDV) with the Global Positioning System (GPS) for real-time vehicle location, time, date and telematics data, and provides a comprehensive 360-degree view inside and outside vehicles. Video evidence is recorded on a military standard digital recording system located inside the vehicle. High definition cameras operate in day or night conditions and are vital for collecting video evidence such as license plate details of school bus stop arm violators. Gatekeeper's wireless devices also provide real-time connectivity, streaming video, and vehicle tracking. Gatekeeper's video management software is used as a desktop application for managing basic incidents and its enterprise software can be used to stream live video from any vehicle, anywhere, anytime.

Gatekeeper offers a Platform-as-a-Service ("PaaS") business model, designed to enable intelligent transportation systems for Smart City initiatives. A Smart City is an urban area that uses different types of electronic Internet of Things sensors to collect data and then use insights gained from that data to manage assets, resources and services efficiently. The PaaS platform is centered around the intelligent video devices that the Company is actively installing for transit authorities on multiple transportation modes. The devices are GPS equipped and interface with vehicle signals such as door open/close. The devices can be wirelessly connected, which enables future software downloads and most importantly, allows public transit assets to be interconnected into the ecosystem of a Smart City.

Gatekeeper's Canadian head office is the primary production facility and is located in Abbotsford, British Columbia. Product research and development, design, and engineering take place at the Abbotsford head office. The Company also operates a wholly owned subsidiary, Gatekeeper Systems USA Inc. (Delaware Corporation) operating in Bristol, PA that is its service center for its transit customer South East Pennsylvania Transit Authority (SEPTA). The Bristol facility employs a team of service technicians and operates a mobile fleet of service vehicles, to provide on-site installation, service and support. In addition, Gatekeeper products destined for USA customers are assembled in Bristol PA. Products are sold to end-user customers through Gatekeeper's direct sales staff, and also through a network of distributors and system integrators who have relationships with customers in multiple mobile markets. Gatekeeper is primarily focused on the North American market but is also pursuing global distribution relationships outside of North America.

Transit Initiative

In March 2018, the Company expanded its strategic focus to include the transit industry as a key growth initiative. The Company confirmed this strategic direction by creating a wholly owned US-based subsidiary, Gatekeeper Systems USA Inc. (“Gatekeeper USA”), in the state of Delaware.
In April 2018, Gatekeeper USA completed an agreement to acquire substantially all of the business assets of an existing mobile video surveillance service provider to the transit industry. This asset purchase aligned with the Company’s strategy to accelerate the Company’s expansion into mobile video maintenance and support services within the transit industry. The assets purchased included assignment of existing contracts to provide mobile video surveillance products, support, and maintenance to the Southeastern Pennsylvania Transportation Authority (“SEPTA”). SEPTA is the sixth largest public transportation system in the USA with an average weekday ridership of approximately 1.1 million and is actively using vehicle video surveillance to evaluate and defend claims, monitor system safety and security, and protect against fraud. SEPTA has an installed base of more than 27,000 video cameras on vehicles and in stations. Gatekeeper USA provides annually recurring vehicle video system maintenance services for SEPTA’s approximately 3,000 vehicles.

Gatekeeper USA has been awarded several contracts from SEPTA, and the Company is now leveraging this customer’s endorsement along with the Company’s service strategy to attract other transit customers and additional business in other industries. Gatekeeper USA provides service solutions and manufacturing from its newly renovated facility in Bristol PA to provide regional service for customers, comply with “Buy America” requirements, and mitigate the impacts of US trade tariffs.

Artificial Intelligence and Video Analytics

The Company continually innovates and launches new products and feature enhancements to expand existing products capability and customer service offerings in order to broaden its market reach. The Company now provides Artificial Intelligence (AI) solutions to support reliable video evidence collection and it believes that AI is an important component within vehicle video safety and security. Vehicle video solutions can be viewed as mobile data collection systems where video data is analyzed and available to be transmitted in real-time. Customers are now equipping a greater number of vehicles with video systems and are also increasing the number of video components within each vehicle – most of which are using high definition video. This trend dramatically increases the amount of video data collected and analyzed in today’s vehicle video systems. The Company believes that Artificial Intelligence has the potential to transition conventional mobile video systems to intelligent machine vision solutions that automatically make decisions without human interaction. These intelligent machine vision solutions could change the way conventional systems manage data. With more cameras being installed in mobile applications and each camera having higher resolution, the amount of video data that has to be analyzed may eventually overwhelm staffing operations. Examples of applications that could greatly benefit from new AI algorithms are driver performance monitoring, abnormal passenger behavior, passenger tracking and counting and illegal passing of vehicles while buses are stopped putting passengers at risk during loading and unloading. Another example is in area of one of a transit agencies largest expenses which is claims and liabilities. A common problem in this area is false liability claims. A reliable mobile data collection system with built in AI could be a valuable tool to help mitigate the millions of dollars spent on legal fees every year.

SEPTA offers an example of the importance of using Artificial Intelligence in vehicle video surveillance. SEPTA has over 27,000 video cameras installed in vehicles and stations and operates a fleet of approximately 3,000 vehicles operating more than 12 hours per day transporting more than 1 million riders per weekday. These vehicle video surveillance systems now collect an enormous amount of video evidence, which requires wireless transmission, long-term data storage, and analysis. Video evidence and analysis is extremely important to SEPTA. SEPTA’s *Fiscal Year 2020-2024 Financial Projections* identifies significant savings of approximately $22 million USD per year in liability claims, which had historically cost the transit authority more than $40 million USD per year, through effective collection and management of video evidence.

The Company believes its Artificial Intelligence and video analytics solutions for vehicle and mobile applications are competitive differentiators and growth drivers that being now being exposed and recognized by customers with sophisticated video evidence systems – such as SEPTA.

Sales Backlog

As at November 30, 2019, the Company’s contracted sales backlog and sales funnel remains brisk, indicating the Company is currently on track to hit revenue targets for the fiscal year 2020. Increased activity in the transit market has supported the growth as well as the Company's traditional sales from the school bus market increasing over historical levels. The Company executed on its plan to expand service-based recurring revenue by winning a contract with SEPTA to service existing video equipment and provide certain evidence management services for up to five years, worth approximately $12 million CDN. The order size and growth potential with this evolved customer mix is aligned with the Company's mandate to achieve accelerated revenue growth and to achieve profitability year over year.

Future Development and Deployment:

Gatekeeper remains committed to engineering and manufacturing industry leading HDDV systems that incorporate the latest software, features and functionality. Management believes that accelerating future growth is dependent upon being able to provide comprehensive, integrated management solutions for the data and information our equipment and other devices collect, combined with intelligent applications able to analyze and interpret video as it is being recorded.

Additionally, offering the capability to provide professional, hosted data management services to monitor, review and package video evidence, on behalf of customers, is another potential area of growth that could represent significant scalable recurring revenue. Product development efforts have been focused on emerging technologies that incorporate intelligent self-diagnostics, video analytics, artificial intelligence, deep learning, and overall data management.

Research and development efforts are being directed towards development of capabilities for integrating Gatekeeper products with third-party software and hardware in order to deliver more robust, faster to market, and cost-effective solutions. Our core strategy is to evolve our software applications to manage discrete data input, from multiple devices, and to transition parts of our business to a software as a service revenue model. This model will position the Company's software as being the gateway or portal to multiple devices and applications all managed through a single Gatekeeper software hub.

Expanding into other niche markets: Gatekeeper's HDDV platform has expanded to include transit, transport and first responder markets. Forward facing cameras provide the high-definition imagery evidence necessary to determine what happened in an incident. This information can be used to protect drivers, or settle legal disputes, using indisputable evidence. Video, integrated with GPS, time and date, and other vehicle sensors has become a common source of evidence, as well as representing valuable operational performance information.

With these technologies, our clients possess the tools to detect, analyze, and respond to safety and security threats, and to reduce losses arising through false liability claims. The Company's products can be sold independently or as a complete end-to-end solution that includes the following components and/or features:

- High definition day/night cameras designed for extreme rugged environments;
- SP25 10 Mega Pixel license plate reading sensor system for school buses;
- Extensive range of mobile digital recording devices ranging from 4 to 24 cameras;
- Live or recorded GPS tracking;
- Voice recording on each camera;
- Wireless Downloading – WiFi and Live Streaming;
- G4 Viewer Plus Incident Management Software synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement; and
- Hosted video management services with TIMS (Traffic Infraction Management System) cloud base software application for managing citations from school bus stop arm violations and photo enforcement systems; and Artificial Intelligence for mobile applications.

Overall Performance

Company revenue for the three and six months ended February 29, 2020 was $3,574,643 and $6,931,041, respectively, compared to $2,698,819 and $ 4,538,297 for the same prior year comparable periods, representing an increase of 32% and 53% respectively. Revenue is earned in two main regions, being Canada and United States. Total revenue earned for the three and six months ended February 29, 2020 in Canada was $606,799 and $1,325,671, respectively (2019 - $2,069,183 and $3,431,938), and total revenue earned in the United States was $2,967,844 and $5,605,370, respectively (2019 - $629,636 and $1,106,359). The increase in revenue in the United States increased significantly while revenue in Canada experienced a correlating decrease during the current period as compared to the comparative period primarily due to operations of the US subsidiary ramping up after the initial buildout of infrastructure and resources subsequent to Gatekeeper Systems USA Inc. becoming a wholly-owned subsidiary of the Company in April 2018.

Cost of sales for the three and six months ended February 29, 2020 was $1,960,175 and $3,848,560, respectively, compared to $1,556,690 and $2,484,882 for the same prior year comparable periods, representing an increase in direct costs of 26% and $55%, respectively. Tariffs imposed by the US government, effective September 2018, on products manufactured in China was the primary factor increasing product cost and reducing the gross profit margin.

Gross Margin for the three months and six months ended February 29, 2020 was $1,614,468 and $3,082,481, respectively, compared to $1,142,129 and $2,053,415 for the same prior year comparable periods, representing an increase in gross margin of 41% and 50%, respectively.

Net income for the three and six months ended February 29, 2020 was $90,551 and $90,219, respectively, compared to a net loss of $455,525 and $1,142,904 for the same prior year comparable periods, representing an increase in profitability of 120% and 108%, respectively. Non-cash expenses included in net income for the six months ended February 29, 2020 total $165,600, respectively, and includes depreciation, stock-based compensation, write-down of inventory, loss on disposal of assets and unrealized foreign exchange loss.

Overall operating expenses for the three and six months ended February 29, 2020 was $1,551,966 and $3,049,181, respectively, as compared to $1,565,750 and $3,230,010 for the same prior year comparable periods representing a decrease in operating expenses of 1% and 6%, respectively. During the current fiscal quarter, management continued to implement its operating cost management plan implemented in Q3 2019 with the goal to be profitable year over year despite pressure on gross margin caused by changes in tariff policies between China and United States.

During the second fiscal quarter, the Company increased inventory levels as a hedge against potential supply chain risks in China relating to the Coronavirus outbreak. This strategy proved to be successful since most projects scheduled to be shipped during the second quarter were received into inventory. The Company also developed plans to ensure delivery of products required for delivery in its third quarter, including for the $6.3M SEPTA contract announced October 9th, 2019.

Certain Gatekeeper products have met the EN 50155 international standard for electronic equipment used in railway applications, enabling the Company to supply and install crash hardened memory modules for Sub-EL cards, trollies and Silverliner regional rail. Additional product certifications, strategic partnering, and bundling is being explored to capture additional opportunities within the commuter rail market.

Gatekeeper USA initiated its service obligations under its new SEPTA contract announced October 17th, 2019 for approximately $2.36M per year. SEPTA approved an initial three-year service term beginning in November 2019 for approximately $7.1 million, plus two one-year extension options, for a total potential contract value of up to $11.8 million over five years.

The Company views Philadelphia and surrounding counties serviced by SEPTA as a strategic platform to provide additional services to the North American transit market. Revenues related to transit have been increasing, and the Company is optimistic about expansion opportunities in the transit market. The Company has expanded its Gatekeeper USA operations to include manufacturing and assembly of all video products delivered to customers in the United States for transit, education and first responder markets. Gatekeeper USA has also recently increased its service fleet vehicles by 50% to support growing business at SEPTA. The US operation is a model that can be extrapolated to differentiate the Company and obtain greater market share.

The Company has commitments and contractual obligations for various operating leases totaling $128,672 for the fiscal year ended August 31, 2020 which management believes it will be able to meet based on working capital of $6,346,481 as of February 29, 2020.

(in Canadian dollars, except where noted)

Selected Quarterly Information

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

	F2018-Q3 31-May 2018	F2018-Q4 31-Aug 2018	F2019-Q1 30-Nov 2018	F2019-Q2 28-Feb 2019	F2019-Q3 31-May 2019	F2019-Q4 31-Aug 2019	F2020-Q1 30-Nov 2019	F2020-Q2 29-Feb 2020
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	2,527,308	2,656,406	1,839,478	2,698,819	4,308,506	4,879,510	3,356,397	3,574,643
Gross Profit	1,360,930	1,421,827	911,286	1,142,129	1,973,883	2,076,830	1,468,012	1,614,468
Gross Profit	54%	54%	50%	42%	46%	43%	44%	45%
Expenses	1,487,139	1,739,283	1,664,260	1,565,750	1,424,785	1,828,201	1,497,217	1,551,966
Net Income (Loss)	(126,209)	(357,229)	(646,379)	(423,621)	616,572	167,601	(332)	90,551
EPS (Basic)	(0.00)	(0.00)	(0.01)	(0.01)	0.01	0.00	0.00	0.00
EPS (Diluted)	(0.00)	(0.00)	(0.01)	(0.01)	0.01	0.00	0.00	0.00
Assets	8,047,103	7,894,272	7,235,850	6,949,394	7,840,198	9,249,093	8,917,960	8,162,994
Liabilities	719,114	873,817	839,594	996,829	1,271,061	2,331,195	1,955,590	1,104,573
Shareholders' Equity	7,327,989	7,020,455	6,396,256	5,952,565	6,569,137	6,917,898	6,692,370	7,058,421

Outlook

According to the market research report **"Mobile Video Surveillance Market by Offering (Hardware (Cameras, Storage Solutions), Software (Video Analytics, VMS), Service), Application (Trains & Trams, Buses, Transport Vehicles, Police Cars, Drones), Vertical, and Geography - Global Forecast to 2023"**, the mobile video surveillance market was valued at USD$1.40 billion in 2017 and is expected to reach USD$2.32 billion by 2023, at a Compounded Annual Growth Rate (CAGR) of 8.77% between 2017 and 2023.

The increasing demand for remote video surveillance technologies, and systems that offer real-time monitoring and security for first responders, transit vehicles, school buses, and for fleet operators in general is driving the market. The market for the transportation vertical is expected to grow at the highest rate between 2017 and 2023. The demand for security systems in public transport, mass transit systems, ports, and so on is increasing to reduce theft and other criminal activities.

Rising demand for intelligent and scalable mobile video surveillance and cloud-based surveillance and safety solutions, along with growing adoption of IP cameras, are additional factors driving the mobile video surveillance market growth. The demand for scalable, intelligent mobile video surveillance and safety solutions with the ability to connect to multiple applications may be a significant trend that could represent a key differentiator for the Company.

A rapidly growing number of commercial businesses and government organizations are deploying mobile video surveillance systems integrated with GPS to increase fleet safety and security accentuating the growth of the market. World over, the mounting security concern attributed to rising criminal and unsafe activities could be a factor increasing the demand for intelligent mobile video systems in first responder vehicles, transit vehicles, school buses, and commercial fleets.

Continued advances in video management software and analytics, and mobile networks are anticipated to create new applications. Rapid advances in networking infrastructure and technology are expected to provide a robust impetus to the demand for mobile video surveillance systems.

Gatekeeper's Growth Strategy

Gatekeeper's goal is to be a market leader in the mobile video segment, by providing its customers with superior products, through world class innovation. A component of the growth strategy is understanding niche market requirements and designing specific features and functionality that address them, as well as supporting local sales and service programs.

The Company believes its PaaS business model is important to its growth strategy. PaaS has been designed to enable intelligent transportation solutions for Smart City initiatives. The *Statista Research Department* expects technology spending in worldwide Smart City initiatives to reach US$124 billion in 2020, an increase of 20% from 2019, and to reach US$189.5 billion by 2023. The PaaS platform is centered around the intelligent video devices that the Company is actively installing for transit authorities on multiple transportation modes.

Gatekeeper's software and AI solutions supports growth in reliable video evidence collection, and the Company believes that AI is an important component within vehicle video safety and security. Customers are now equipping a greater number of vehicles with video systems and are also increasing the number of video components within each vehicle – most of which are using high definition video. This trend dramatically increases the amount of video data collected and analyzed in today's vehicle video systems. AI dramatically changes how this data is managed and creates an opportunity for Gatekeeper to deliver significant value to its customers.

Smart City and video-based solutions continue to evolve with the addition of new and different sensors, higher resolution images, larger storage, faster processing and increased durability. Developing smart devices and providing video management software that possess the ability to integrate with other discrete systems represents an opportunity to both gain an increased share of existing markets and enter new markets. Gatekeeper's development efforts are focused on providing a robust open architecture video management software platform that can integrate and interface with other manufacturer's devices, to form a comprehensive control system that brings all components together in a single application.

Gatekeeper is exploring opportunities to partner with customers who have expressed strong interest in adopting specific video analytics applications that can provide facial recognition, people counting, detection of pot holes, automated ticketing of parking violations, and driver behavior monitoring.

North America continues to be the dominant market for the Company but the need to protect children in and around school buses, as well as increase safety on highways, is a global concern. Gatekeeper's "Student Protector" program and cloud-based software application, trade named TIMS (Traffic Infraction Management System), has garnered attention from governments outside of North America. Selective expansion beyond the boundaries of North America is being explored through strategic partnerships.

Liquidity and Capital Resources

At February 29, 2020, the Company had cash and cash equivalents of $1,619,950 and working capital of $6,346,481 which compared to $2,118,812 and $6,150,804, respectively at August 31, 2019.

Cash provided through operating activities was $178,804 for the six months ended February 29, 2020, as compared to cash used of $1,571,989 during the six months ended February 29, 2019. The cash provided is attributable to an increase in profitability and receivables during the current period in comparison to the prior year comparable period.

Cash used for investing activities was $14,989 for the six months ended February 29, 2020, as compared to cash used of $372,613 during the prior year comparable period. The use of funds was primarily related to the purchase of property, plant and equipment.

Cash flows arising from financing activities during the six months ended February 29, 2020 was $658,626 as compared with $Nil during the prior year comparable period, primarily due to lease payments and the short-term loan repayment.

Effective June 12, 2018, the Company entered into a non-dilutive, revolving, secured line of credit of up to $1,000,000 (the "Line of Credit") with its bank. 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.

Effective July 12, 2019, the Company entered into an amended non-dilutive, revolving and non-revolving, secured line of credit of up to $1,000,000 (the "Line of Credit") with the existing 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.

The Line of Credit bears interest on amounts borrowed as follows:

(a) For CAD Overdraft Loans, the Bank's Prime Rate plus 1.00% per annum on the basis of a year of 365 days, calculated monthly in arrears on the daily balance on the last day of each month, payable on the first business day of the following month;

(b) For USD Overdraft Loans, the Bank's U.S. Base Rate plus 1.00% per annum on the basis of a year of 360 days, calculated monthly in arrears on the daily balance on the last day of each month, payable on the first business day of the following month;

(c) Monthly administration fee of $150 payable on the first business day of each month, and an annual review fee of $2,000.

The Company entered into a $500,000 demand non-revolving short-term loan facility effective July 12, 2019 which shall be repaid in full on or before the sixth month anniversary of the initial advance. The short-term loan bears interest on the principal balance of the loan facility as follows:

(a) For CAD Prime Rate Loan, the Bank's Prime Rate plus 1% per annum on the basis of a year of 365 days, accruing daily, and calculated monthly in arrears on the daily balance.

The Line of Credit and short-term loan is repayable on demand, are secured by a first charge on the assets of the Company and its subsidiaries and requires a maintenance of a Debt to Tangible Net Worth ratio not to exceed 2.75 to 1.0; current ratio of not less than 1.25 to 1.0; and Debt Service Ratio of not less than 1.25 to 1.0.

As at February 29, 2020, there was $81,474 advanced or owing under the line of credit, and $Nil owing as a short-term loan, which was repaid in full during the quarter end February 29, 2020, and the Company was in compliance with all of its covenant ratios.

The Company has agreed to pay a related party an annual fee of $18,750 USD 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 three months ended November 30, 2019, the Company terminated this agreement and made a final payment of $1,297 CDN to the related party.

The Company had cash and cash equivalents of $1,619,950 at February 29, 2020 (August 31, 2019 – $2,118,812), however management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures.

Circumstances that may impact the Company's ability to obtain financing in the future include poor market conditions, increased interest rates and actual operations being different than expected by management, The Company mitigates these risks through a planning and budgeting process by which it anticipates and determines the funds required to support its normal operating requirements.

The Company has maintained a working capital balance of over $6 million for the last three fiscal years, which has been sufficient to repay the Company's liabilities in the normal course of business and meet its contractual obligations for the next 12 months.

The Company operates in two geographic segments, being Canada and the United States, and is subject to currency risk. Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities.

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.

(in Canadian dollars, except where noted)

Contractual Obligations

In the normal course of business, the Company enters into contracts that give use to commitments for future minimum payments. Most of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

a) The Company has entered into various operating lease contracts for office space and office equipment. The future minimum payments under these leases as at February 29, 2020 are as follows:

2020	128,672
2021	253,831
2022	186,168
2023	103,018
2024	91,728
	$ 763,418

b) The Company had agreed to pay a related party an annual fee of $18,750 USD 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 three months ended November 30, 2019, the Company terminated this agreement and made a final payment of $1,297 CDN to the related party.

c) The Company derives its revenue from the sale of products in various tax jurisdictions, which are subject to various Canadian and foreign federal and provincial laws and regulations governing taxes. These laws and regulations are continually changing. The Company believes its operations are materially in compliance with all applicable laws and regulations. There is no guarantee that the Company's chosen tax position will not be challenged by tax authorities in these jurisdictions which could result in additional taxes, related non-income tax amounts, interest and penalties payable.

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

Capital Structure

As at February 29, 2020, the Company had 87,947,144 common shares issued and outstanding, nil Class A preferred shares outstanding.

	Common Shares	**Class A Preferred Shares**
Balance – August 31, 2018 and 2019	87,597,144	-
Shares issued upon exercise of stock options	350,000	-
Balance – November 30, 2019	87,947,144	-

During the six months ended February 29, 2020, 350,000 common shares were issued pursuant to the exercise of stock options at prices ranging from $0.11 and $0.12. During the year ended August 31, 2019, the Company did not issue any new common shares.

Stock Options

On February 19, 2013, pursuant to the Qualifying Transaction all issued and outstanding stock options of Gatekeeper were cancelled and stock options of Indigo were reissued. Under the current stock option plan a maximum of 10% of the total issued and outstanding common shares of the Company are reserved for issuance.

The changes in stock options during the six months ended February 29, 2020 were as follows:

(in Canadian dollars, except where noted)

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2017	$0.21	5,663,250
Options granted	$0.12	2,450,000
Options cancelled	$0.19	(495,000)
Balance – August 31, 2018	$0.18	7,618,250
Options granted	$0.11	2,005,000
Options cancelled	$0.17	(1,850,000)
Balance – August 31, 2019	$0.17	7,773,250
Options granted	$0.20	45,000
Options exercised	$0.12	(300,000)
Options exercised	$0.11	(50,000)
Balance – February 29, 2020	$0.17	7,468,250

During the six months ended February 29, 2020, the Company granted 45,000 (2019 – 675,000) incentive stock options to employees, consultants and directors which may be exercised within 5 years from the date of grant at a price of $0.20 per share.

The weighted average fair value of the options granted during the six months ended February 29, 2020 was estimated at $0.11 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, 2020	August 31, 2019
Risk free interest rate	1.45%	1.95%
Expected life	5 years	6 years
Expected volatility	76.42%	83.72%
Expected dividend per share	-	-

Incentive share options outstanding and exercisable at February 29, 2020 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	400,000	8.72	$0.105	400,000	8.72	$0.105
$0.11	350,000	4.12	$0.11	-		-
$0.12	2,630,000	6.09	$0.12	2,207,500	6.09	$0.12
$0.13	500,000	6.18	$0.13	500,000	6.18	$0.13
$0.16	175,000	5.32	$0.16	175,000	5.32	$0.16
$0.18	250,000	4.39	$0.18	250,000	4.39	$0.18
$0.20	250,000	0.55	$0.20	250,000	0.55	$0.20
$0.195	831,250	6.41	$0.20	831,250	6.41	$0.20
$0.25	1,605,000	3.09	$0.25	1,605,000	3.09	$0.25
$0.30	432,000	3.54	$0.30	432,000	3.54	$0.30
$0.20	45,000	4.73	$0.20	45,000	4.73	$0.20
	7,468,250	5.26	$0.17	6,695,750	5.31	$0.18

(in Canadian dollars, except where noted)

During the six months ended February 29, 2020, the Company recorded total share-based payments of $8,804 (2019 – $75,014), which has been charged to general and administrative expense for the period.

Share Purchase 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, 2018	$0.30	10,640,000
Expired	$0.30	(10,640,000)
Balance – August 31, 2019 and February 29, 2020	-	-

Use of Financial Instruments

The Company classifies all financial instruments as either financial assets or liabilities at fair value through profit or loss (“FVTPL”), loans and receivables or other financial liabilities. Loans and receivables and other financial instruments are measured at amortized cost.

The Company has designated its cash and cash equivalents and restricted cash as FVTPL, which is measured at fair value. Trade receivables and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables, salaries and benefits payable and line of credit are classified as other financial liabilities which are measured at amortized cost.

Financial Risk Management

The financial risks arising from the Company’s operations are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company’s ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

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

At February 29, 2020, 10% of the Company’s trade accounts receivable balance is over 90 days past due (August 31, 2019 – 19%). The carrying amount of trade and other receivables as at February 29, 2020 was $2,786,394 (August 31, 2019 - $4,175,086). The Company insures its non-government accounts receivable.

Liquidity Risk

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

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

The Company coordinates this planning and budgeting process with its financing activities through the capital management process. The Company’s financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at February 29, 2020 and August 31, 2019 are summarized as follows:

	February 29, 2020	August 31, 2019
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	$ 1,041,255	$ 1,221,664
In later than 90 days, not later than one year	-	527,630
	$ 1,041,255	$ 1,749,294

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant exposure at February 29, 2020 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, 2020 to commodity price risk through its financial instruments.

Currency Risk

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

The Company realized approximately 89% of its sales and makes a significant amount of its purchases in US dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

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

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars as of February 29, 2020 and August 31, 2019:

	February 29, 2020	August 31, 2019
Cash and cash equivalents	$ 629,548	$ 797,395
Restricted cash	199,415	200,438
Trade and other receivables	2,561,892	3,722,767
Trade and other payables and accrued liabilities	(138,980)	(77,953)
Finance lease obligation	(85,773)	(128,540)
	$ 3,166,102	$ 4,514,107

Based on the above net exposure at February 29, 2020, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately $316,610 decrease or increase respectively in both net and comprehensive loss (August 31, 2019 – $451,411). The Company has not employed any currency hedging programs during the period ended February 29, 2020.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

(in Canadian dollars, except where noted)

Related Party Transactions

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

(a) Key Management Personnel Compensation

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

	Three months ended		Six months ended	
	February 29, 2020	**February 28, 2019**	**February 29, 2020**	**February 28, 2019**
Salaries and short-term benefits	$ 63,515	$ 82,291	$ 127,031	$ 157,887
Share-based payment	Nil	Nil	-	49,524
	$ 63,515	$ 82,291	$ 127,031	$ 207,211

(b) Trade Related Party Transactions

The amounts due to related parties as at February 29, 2020 and August 31, 2019 are as follows:

	February 29, 2020	**August 31, 2019**
Chief Executive Officer	$ 118,530	$ 177,575
Chief Financial Officer	-	-
Directors	2,000	2,000
	$ 120,530	$ 179,575

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

Other Related Party Transactions

The Company has agreed to pay the Chief Executive Officer an annual fee of $18,750 US 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 three months ended November 30, 2019, the Company terminated this agreement and made a final payment of $1,297 CDN to the related party.

The Company has approved the issuance of a discretionary bonus to the Chief Executive Officer through the issuance of 878,000 common shares of the Company at a deemed price of $0.135 which shall be issued within the first six months of 2020. The proposed bonus of common shares is included in accounts payable and accrued liabilities in the amount of $118,530. The bonus is subject to the policies and approval of the TSX Venture Exchange.

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 $412 during the period ended February 29, 2020.

Critical Accounting Estimates

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

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

Allowances for Doubtful Accounts

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

Inventory Valuation

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

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.

New Accounting Policies Adopted

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of September 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for any assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The Company's new accounting policy for financial instruments under IFRS 9 is detailed in the notes to the financial statements for the year ended August 31, 2019 under Significant Accounting Policies.

The Company adopted all the requirements of IFRS 15 Revenue from Contracts and Customers ("IFRS 15") as of September 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date. The Company's new accounting policy for revenue contracts with customers under IFRS 15 is detailed in the notes to the financial statements for the year ended August 31, 2019 under Significant Accounting Policies.

Accounting Standards and Amendments Issued and Adopted

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which have been adopted by the Company as of February 29, 2020:

(i) IFRS 16 'Leases*'* establishes principles for the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in IAS 17. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied.

The Company has evaluated the potential impact the adoption of the standard will have on the consolidated financial statements and has determined that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

The Company has not early adopted nor assessed the financial statement impact of these standards, amendments and interpretations, and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company, other than as separately disclosed.

Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

Capitalization and Commercial Viability

The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favourable terms and/or other remedial measures.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through February 29, 2020 of $11,156,601. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada and the United States and, like all global businesses, it has been subject to the impact of the global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions can result in reduced consumer and government spending and impact on the Company's financial results.

Key Employees

The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Supply Chain

The Company relies on major components to be manufactured on an Original Equipment Manufacturer (OEM) basis. Reliance on OEMs, as well as industry supply conditions generally involves several risks, including the possibility of defective products (which can adversely affect the Company's reputation for reliability), a shortage of components and delays in delivery schedules (which can adversely affect the Company's distribution schedules), and increases in component costs (which can adversely affect the Company's profitability). The Company has single-sourced manufacturer relationships, either because alternative sources are not readily or economically available or because the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. If these sources are unable or unwilling to manufacture our products in a timely and reliable manner, the Company could experience temporary distribution interruptions, delays, or inefficiencies, adversely affecting our results of operations.

Even where alternative OEMs are available, qualification of the alternative manufacturers and establishment of reliable suppliers could result in delays affecting operating results adversely.

New Products and Technology Change Risk

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages. The Company invests significantly in the development of products and continually seeks to improve its current product offerings. The success of the Company continues to depend upon market acceptance of its new products, its existing products and its ability to refine and enhance current product lines. In some situations, new legislation is driving requirements for various subsets of the Company's products, particularly in the area of recording license plates of vehicles illegally passing a school bus. Should legislation or public opinion change, relating to various issues surrounding right of privacy, there would be no guarantee that the Company would maintain sales of these products.

New Market Risk

The ability of the Company to successfully enter new markets is subject to uncertainties. We have been successful in the past, and we continue to develop important alliances in new markets to ensure future success. However, there are no guarantees that we can establish new distribution channels or continue to develop new strategic partnerships.

Competition

The Company's markets are competitive and rapidly changing. Many competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base. As this market develops, a number of companies with greater resources could attempt to increase their presence in this market by acquiring or forming strategic alliances with our competitors or business partners.

Many competitors are also divisions or subsidiaries of larger enterprises, many of which also focus on the manufacture and sale of components or mass-market products. Many competitors also offer a broader line of security solutions that may include CCTV and video surveillance products. Even though our products may offer a competitive advantage, some competitors have the ability to provide an integrated security solution to an end-user at a price that may render our products uncompetitive.

The Company's success is significantly dependent upon management's ability to adapt to these competing forces, to develop more advanced products more rapidly and less expensively than our competitors, and to educate potential customers as to the benefits of using the Company's services. The Company's future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than our products and could bundle existing or new products with other more established products in order to compete with the Company. The Company expects additional competition from other established and emerging companies. Increased competition may result in price reductions, reduced gross margin and loss of market share, any of which could materially and adversely affect the Company's business. The Company may not be able to compete successfully against current and future competitors, and failure to do so would harm the business.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to be profitable in the future. The Company's future operating results will depend on a number of factors, including (i) the efficiency and effectiveness of the Company's marketing and advertising programs, (ii) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits, better quality service and reduced costs, (iii) the Company's ability to successfully identify and respond to emerging trends in the security industry, (iv) the level of competition in the security industry and (v) the ability to manage attrition level and subscriber replacement costs. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Intellectual Property Risks

The Company has taken steps to protect its proprietary technology. The Company relies on a combination of trademark, trade secrets, laws and other intellectual property protection methods to protect its proprietary technology. These steps may not completely protect the Company's proprietary technology, nor give it a competitive edge. Others may independently develop substantially equivalent technology or gain access to our trade secrets. If the Company is unable to protect its intellectual property, the business over time could be materially affected. The Company will pursue all avenues available to it, if necessary, to enforce its patents, and to protect its trademarks and other intellectual property rights owned by the Company.

Because much of the Company's potential success and value lies in its ownership and use of intellectual property, its failure to protect its intellectual property may negatively affect its business and value. The Company typically enters into confidentiality or license agreements with its employees, consultants, customers, strategic partners and vendors in an effort to control access to and distribution of its products, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary technology without authorization.

Technological Change, New Products and Standards

The technology industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company’s existing products and systems obsolete. The Company’s products employ complex technology and may not always be compatible with current and evolving technical standards and products developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company’s business, results of operations and financial condition.

Reliance on Information Systems and Technology

The Company’s business relies upon information technology systems to effectively service its customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Should a significant disruption to its information technology occur, the Company’s earnings could be adversely affected through loss of revenue and the costs to rectify the disruption. The Company is in an industry with many competitors that lay claim to intellectual property. The Company may receive notice from a third party asserting the Company has infringed on their intellectual property rights. As a result of such claims the Company’s earnings could be adversely affected by costly litigation, product injunctions or consumption of management attention. The Company may also be required to expend significant capital and resources to protect against the threat of security, encryption and authentication technology breaches or to alleviate problems caused by such breaches.

Reliance on Third Party Licenses

The Company relies on certain software that it licenses from third parties, including a software program that is integrated with internally developed software and used in the Company’s products to perform key functions. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could materially adversely affect the Company's business, results of operations and financial condition.

Effectiveness and Efficiency of Sales and Marketing Expenditures

The Company’s future growth and profitability will be dependent in part on the effectiveness and efficiency of the Company’s sales and marketing expenditures, including the ability of the Company to (i) create greater awareness of the Company’s products and services, (ii) determine the appropriate messaging and media mix for future sales and marketing expenditures, and (iii) effectively manage sales and marketing costs in order to maintain acceptable operating margins. There can be no assurance that the Company will experience benefits from sales and marketing expenditures in the future. In addition, no assurance can be given that the Company’s planned sales and marketing expenditures will result in increased sales, will generate sufficient levels of product and service awareness or that the Company will be able to manage such sales and marketing expenditures on a cost-effective basis.

Product Liability

The Company faces the inherent risk of exposure to product liability claims in the use of our products. While we will continue to attempt to take appropriate precautions, including the purchase of product liability insurance, there can be no assurance that we will avoid significant product liability exposure. There can be no assurance that adequate insurance coverage for future coverage for future commercial activities will be available at all, or at acceptable cost, or that a product liability claim would not materially adversely affect our business or financial condition.

Risk Associated with International Operations

Management of the Company believes that its future growth and profitability opportunities will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services. The risk associated with currency fluctuations comprise mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Risk Associated with NAFTA, Tariffs and proposed Destination-Based Cash Flow Tax (DBCFT)

Management of the Company believes that renegotiation of the North American Free Trade Agreement, the pending ratification of the agreement between the United States of America, the United Mexican States, and Canada (USMCA), and implementation of United States Tariffs on imports or implementation of the proposed DBCFT by the United States could significantly impact the Company's ability operate profitably. More specifically, the emergence of tariffs on products manufactured in Canada, the USA, and China have material impacts on the cost of Gatekeeper products being imported and exported. The USA's prohibition of some surveillance products manufactured by specific Chinese companies does not currently affect the Company but could if prohibitions are expanded in the future. To mitigate the impacts of any of these changes, the Company may implement plans to move part of its operations to the United States by way of acquisition or expansion. Such an expansion could increase operating expenses, cost of goods sold and affect overall profitability.

USA / China relations

The United States and China relations relating to such topics of allegations relating to illegal surveillance activities by certain Chinese companies on American assets could restrict these companies or subsidiaries from doing business in the United States. Gatekeeper cannot guarantee that its direct or indirect relationships with certain ODM partners in China will not impact future revenue should USA and China relations not improve.

Goodwill

Goodwill is the excess of the cost of an acquired enterprise over the net amount assigned to individual assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is tested for impairment annually by comparing the fair value of the operating cash flows to the carrying value of the reporting unit.

Expansion

The success of the Company's continued expansion will depend upon many factors, including the ability of the Company to maintain acceptable attrition rates and control of operating costs and generate positive cash flow over an extended period. There can be no assurance that the Company will be able to grow or achieve its continued expansion. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Available Workforce

Continued success will depend on the performance and continued service of the Company's employees. We rely on the ability to attract new engineers, research and development staff, production personnel and key sales and marketing employees. During the coming year, we will continue to develop our employees and search for key new hires, however there is no assurance that the Company will be able to retain existing personnel or attract, hire and retain additional qualified personnel.

Possible Adverse Effect of Future Government Regulations

The Company's operations are subject to a variety of laws, regulations and licensing requirements of federal, state, provincial, county, and municipal authorities. The loss of such licenses, or the imposition of conditions to the granting or retention of such licenses, could have a material adverse effect on the Company. The Company believes that it is in material compliance with applicable laws and regulatory requirements.

Government Contract Risk

The Company's business involves direct contracts with government entities. Contracts issued by governments may contain cancel for convenience clauses which could affect revenue.

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that material information about the Company and its subsidiaries would have been known to them and regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The CEO and CFO have evaluated and concluded that the Company's disclosure controls and procedures are adequate and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiary, would have been known to them as of February 29, 2020.

As well, as of February 29, 2020, the CEO and CFO have evaluated and concluded that the Company's internal controls over financial reporting have been adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined to be adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During the six months ended February 29, 2020, there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

Subsequent Events

Subsequent to February 29, 2020, government authorities declared a state of emergency due to the to the current and ongoing COVID-19 crisis, which the World Health Organization has declared as a global pandemic. The Company is considered an essential business and remains in regular operation with employees continuing to work remotely where possible.

To date, the Company is experiencing impact on revenue in the areas that are deemed to be non-essential business. Revenue could be impacted if long term lock down continues caused by the COVID-19 pandemic. The Company relies on products from China and other overseas countries to be included in its overall system solutions and if supply chains are affected because of lock downs the Company may not be able to guarantee current revenue levels will continue. Approximately 30% of the Company's revenue in 2019 was from one customer and although that government customer has deemed the Company as an essential business thus assisting with continued revenue, there is no guarantee that status will continue if the pandemic worsens and a total shutdown of the transit industry was ordered. Should the Company's revenue be reduced substantially the Company may be forced to deplete its current work force and scale the business back. The Company has immaterial long term debt and sufficient working capital to meet its commitments and maintain operations for twelve months.

The Company's concentrations in 2020 are expected to be 50% revenue coming from one customer which has been deemed to be essential business. The Company sources products from a limited number of companies overseas and should that supply chain weaken or be unable to deliver because of the COVID-19 pandemic, the Company may be forced to reduce or shut down operations.