UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ____________

Commission file number: 0-23153

Track Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**87-0543981**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

200 E. 5th Avenue Suite 100, Naperville, IL 60563
(Address of principal executive offices) (Zip Code)

(877) 260-2010
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large, accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large, accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large, accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of February 3, 2025, was 11,863,758.

TRACK GROUP, INC.
FORM 10-Q

For the Quarterly Period Ended December 31, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2024	September 30, 2024
Assets		
Current assets:		
Cash	$ 3,740,043	$ 3,574,215
Accounts receivable, net of allowance for credit losses of $525,141 and $432,904, respectively	5,319,041	4,428,535
Prepaid expense and deposits	420,680	638,293
Inventory, net of reserves of $99,041 and $82,848, respectively	811,992	582,481
Assets held for sale	-	969,481
Total current assets	10,291,756	10,193,005
Property and equipment, net of accumulated depreciation of $293,419 and $430,003, respectively	351,353	317,206
Monitoring equipment, net of accumulated depreciation of $5,145,204 and $5,982,972, respectively	4,550,033	4,598,864
Intangible assets, net of accumulated amortization of $19,954,086 and $19,699,966, respectively	13,415,776	13,959,571
Goodwill	7,913,369	7,941,190
Other assets, net	1,238,608	660,170
Total assets	$ 37,760,895	$ 37,670,006
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 3,336,084	$ 3,082,467
Accrued liabilities	2,542,932	2,639,318
Liabilities held for sale	-	732,028
Total current liabilities	5,879,016	6,453,813
Long-term debt, net of current portion	42,659,634	42,639,197
Long-term liabilities	679,823	186,407
Total liabilities	49,218,473	49,279,417
Commitments and contingencies (Note 22)		
Stockholders' equity (deficit):		
Common stock, $0.0001 par value: 30,000,000 shares authorized; 11,863,758 and 11,863,758 shares outstanding, respectively	1,186	1,186
Preferred stock, $0.0001 par value: 20,000,000 shares authorized; 0 shares outstanding	-	-
Series A Convertible Preferred stock, $0.0001 par value: 1,200,000 shares authorized; 0 shares outstanding	-	-
Paid in capital	302,600,546	302,600,546
Accumulated deficit	(315,274,178)	(312,691,811)
Accumulated other comprehensive income (loss)	1,214,868	(1,519,332)
Total stockholders' equity (deficit)	(11,457,578)	(11,609,411)
Total liabilities and stockholders' equity	$ 37,760,895	$ 37,670,006

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

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Revenue:		
Monitoring and other related services	$ 8,441,307	$ 8,674,485
Product sales and other	227,021	292,487
Total revenue	8,668,328	8,966,972
Cost of revenue:		
Monitoring, products and other related services	3,508,762	3,973,989
Depreciation & amortization included in cost of revenue	735,224	789,463
Total cost of revenue	4,243,986	4,763,452
Gross profit	4,424,342	4,203,520
Operating expense:		
General & administrative	2,431,118	2,757,887
Selling & marketing	901,189	706,531
Research & development	669,391	682,463
Depreciation & amortization	227,553	239,760
Loss on sale of subsidiary	66,483	-
Total operating expense	4,295,734	4,386,641
Operating income (loss)	128,608	(183,121)
Other income (expense):		
Interest income	2,839	48,162
Interest expense	(571,798)	(486,084)
Currency exchange rate gain (loss)	(1,499,262)	538,945
Total other income (expense)	(2,068,221)	101,023
Income (loss) before income taxes	(1,939,613)	(82,098)
Income tax expense (benefit)	71,236	(82,559)
Net income (loss) attributable to common stockholders	(2,010,849)	461
Release of cumulative translation adjustment for sale of subsidiary	1,390,913	-
Equity adjustment for sale of subsidiary	571,518	-
Foreign currency translation adjustments	771,769	(106,702)
Comprehensive income (loss)	$ 723,351	$ (106,241)
Net income (loss) per share – basic		
Net income (loss) per common share	$ (0.17)	$ 0.00
Weighted average common shares outstanding	11,863,758	11,863,758
Net income (loss) per share – diluted		
Net income (loss) per common share	$ (0.17)	$ 0.00
Weighted average common shares outstanding	11,863,758	11,863,758

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

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Common Stock		Paid-in	Accumulated	Comprehensive	
	Shares	Amount	Capital	Deficit	Income (Loss)	Total
Balance September 30, 2024	11,863,758	$ 1,186	$ 302,600,546	$ (312,691,811)	$ (1,519,332)	$ (11,609,411)
Release cumulative translation adjustment for sale of subsidiary	-	-	-	-	1,390,913	1,390,913
Foreign currency translation adjustments	-	-	-	-	771,769	771,769
Equity adjustment for sale of subsidiary	-	-	-	(571,518)	571,518	-
Net loss	-	-	-	(2,010,849)	-	(2,010,849)
Balance December 31, 2024	11,863,758	$ 1,186	$ 302,600,546	$ (315,274,178)	$ 1,214,868	$ (11,457,578)

	Common Stock		Paid-in	Accumulated	Comprehensive	
	Shares	Amount	Capital	Deficit	Income (Loss)	Total
Balance September 30, 2023	11,863,758	$ 1,186	$ 302,597,115	$ (309,610,397)	$ (1,480,837)	$ (8,492,933)
Stock-based compensation	-	-	3,431	-	-	3,431
Foreign currency translation adjustments	-	-	-	-	(106,702)	(106,702)
Net income	-	-	-	461	-	461
Balance December 31, 2023	11,863,758	$ 1,186	$ 302,600,546	$ (309,609,936)	$ (1,587,539)	$ (8,595,743)

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

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Cash flows from operating activities:		
Net income (loss)	$ (2,010,849)	$ 461
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	962,777	1,029,223
Bad debt expense	92,237	120,703
Sales allowance	-	(3,065)
Allowance for obsolete inventory	16,192	-
Stock based compensation	-	3,431
Loss on monitoring equipment included in cost of revenue	92,743	98,673
Amortization of debt issuance costs	21,018	35,413
Amortization of monitoring center assets included in cost of revenue	-	134,317
Foreign currency exchange (gain) loss	1,499,262	(538,945)
Loss on disposal of assets	92	-
Loss on sale of subsidiary	66,483	-
Change in assets and liabilities:		
Accounts receivable, net	(1,465,656)	(1,238,726)
Inventories, net	(245,703)	315,648
Current assets held for sale	719,201	-
Prepaid expense, deposits and other assets	(235,544)	63,261
Noncurrent assets	(10,614)	-
Accounts payable	259,245	480,200
Accrued liabilities	695,606	141,731
Current liabilities held for sale	(732,028)	-
Other current liabilities	58,246	-
Net cash provided by (used in) operating activities	(217,292)	642,325
Cash flow from investing activities:		
Purchase of property and equipment	(41,696)	-
Capitalized software	(404,244)	(369,524)
Purchase of monitoring equipment and parts	(507,048)	(486,991)
Proceeds from sale of subsidiary, net of cash included in sale	748,715	-
Net cash used in investing activities	(204,273)	(856,515)
Cash flow from financing activities:		
Principal payments on long-term debt	(11,399)	(124,338)
Payment of deferred financing fees	(52,440)	-
Net cash used in financing activities	(63,839)	(124,338)
Effect of exchange rate changes on cash	(356,178)	12,218
Net decrease in cash	(841,582)	(326,310)
Cash and cash held for sale, beginning of period (See Note 1)	4,581,625	4,057,195
Cash, end of period	$ 3,740,043	$ 3,730,885
Cash paid for interest	$ 7,536	$ 29,720
Cash paid for taxes	$ 759	$ 239

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

TRACK GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information of Track Group, Inc. and subsidiaries (collectively, the "*Company*" or "*Track Group*") has been prepared in accordance with the Instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the Securities and Exchange Commission ("*SEC*"). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("*GAAP*") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying interim consolidated financial information contains all adjustments, consisting only of normal recurring adjustments necessary to present fairly the Company's financial position as of December 31, 2024 and results of its operations for the three months ended December 31, 2024. These financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024, filed with the SEC on December 23, 2024. The results of operations for the three months ending December 31, 2024, may not be indicative of the results for the fiscal year ending September 30, 2025.

As of December 31, 2024 and September 30, 2024, the Company had an accumulated deficit of $315,274,178 and $312,691,811, respectively. The Company had net loss of ($2,010,849) for the three months ended December 31, 2024 and a net income of $461 for the three months ended December 31, 2023. On April 27, 2023, the Company announced a three-year extension of its $42.9 million debt to July 1, 2027 (See Note 18). The Company's ability to return to profitable operations is dependent upon generating a level of revenue adequate to support its cost structure. Management has evaluated the significance of these conditions, as well as the change in the maturity date, and has determined that the Company can meet its operating obligations for a reasonable period. The Company expects to fund operations using cash on hand and through operational cash flows through the upcoming twelve months.

Sale of Subsidiary

In the first quarter of fiscal 2025, we completed the sale of our Chile subsidiary and recognized a $66,483 loss recorded in Loss on sale of subsidiary in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended December 31, 2024. This loss is in addition to a $757,130 impairment on assets held for sale in the fourth quarter of fiscal 2024.

Cash and Cash Held for Sale

Cash and cash held for sale consisted of the following:

	December 31, 2024	September 30, 2024
Cash	$ 3,740,043	$ 3,574,215
Cash held for sale	-	1,007,410
Total cash and cash held for sale	$ 3,740,043	$ 4,581,625

(2) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Track Group, Inc. and its active wholly-owned subsidiaries, Track Group Analytics Limited, Track Group Americas, Inc., and Track Group International LTD., as well as activity for our recently sold subsidiary, Track Group - Chile SpA. All significant inter-company transactions have been eliminated in consolidation.

(3) RECENT ACCOUNTING STANDARDS

The Company evaluates all Accounting Standards Updates (each an "*ASU*", and collectively, "*ASUs*") issued by the Financial Accounting Standards Board ("*FASB*") for consideration of their applicability to our consolidated financial statements.

New Accounting Standards or Updates Adopted in Fiscal 2025

No new accounting standards or updates were adopted in Fiscal 2025.

Recent Accounting Standards or Updates Not Yet Effective

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendment in Response to the SEC's Disclosure Update and Simplification Initiative.* The ASU incorporates several disclosure and presentation requirements currently residing in the SEC Regulations S-X and S-K. The amendments will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. As we are currently subject to these SEC requirements, this ASU is not expected to have a material impact on our consolidated financial statements or related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires all public entities to provide enhanced disclosures about significant segment expenses. The amendments in this ASU are to be applied retrospectively and are effective for our annual financial statements starting in fiscal 2025 and interim periods starting in fiscal 2026, with early adoption permitted. We are currently evaluating the impact of this accounting standard, but do not expect it to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which enhances transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid and to improve the effectiveness of income tax disclosures. This accounting standards update will be effective for us for fiscal year 2026, with early adoption permitted. We are currently evaluating the impact of this accounting standard, but do not expect it to have a material impact on our consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03 "*Disaggregation of Income Statement Expenses.*" The Board is issuing the amendments in this Update to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, SG&A, and research and development). Additionally, in January 2025, the FASB issued ASU 2025-01 to clarify the effective date of ASU 2024-03. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this Update should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this Update or (2) retrospectively to any or all prior periods presented in the financial statements. The Company will review the guidance in ASU 2024-03 and will adopt disclosures as applicable in fiscal year 2028.

No other new accounting pronouncements issued or effective as of December 31, 2024 have had or are expected to have a material impact on our consolidated financial statements.

(4) IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable and in the case of goodwill, at least annually. The Company evaluates whether events and circumstances have occurred which indicate possible impairment as of each balance sheet date. If the carrying amount of an asset exceeds its fair value, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there is an identifiable fair value that is independent of other groups of assets.

(5) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes net income (loss) as currently reported under GAAP and other comprehensive income (loss). Other comprehensive income (loss) considers the effects of additional economic events, such as foreign currency translation adjustments, which are not required to be recorded in determining net income (loss), but rather are reported as a separate component of stockholders' equity. The New Israeli Shekel and the Canadian Dollar are used as functional currencies of the following operating subsidiaries: (i) Track Group International Ltd.; and (ii) Track Group Analytics Limited, respectively. The Chilean Peso is the functional currency of our recently sold subsidiary, Track Group Chile SpA. The balance sheets of all subsidiaries have been converted into United States Dollars at the prevailing exchange rate at December 31, 2024.

(6) NET INCOME PER COMMON SHARE

Basic net income (loss) per common share ("*Basic EPS*") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share ("*Diluted EPS*") is computed by dividing net income (loss) attributable to common stockholders by the sum of the weighted-average number of common shares outstanding and the weighted-average dilutive common share equivalents outstanding. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect.

Common share equivalents consist of shares issuable upon the exercise of options to purchase shares of the Company's common stock, $0.0001 par value per share ("*Common Stock*") ("*options*") and warrants to purchase Common Stock ("*warrants*"). At December 31, 2024 and 2023, there were no stock options or warrants outstanding.

(7) REVENUE RECOGNITION

Our revenue is predominantly derived from two sources: (i) monitoring services, and (ii) product sales.

Monitoring and Other Related Services

Monitoring services include two components: (i) lease contracts pursuant to which the Company provides monitoring services and leased devices to distributors or end users and the Company retains ownership of the leased device; and (ii) monitoring services purchased by distributors or end users who have previously purchased monitoring devices and opt to use the Company's monitoring services. The Company recognizes revenue on leased devices and monitoring services at the end of each month the services have been provided and payment terms are 30 days from the invoice date. Payment due or received from the customers prior to rendering the associated services are recorded as deferred revenue.

Product Sales and Other

The Company sells devices and replacement parts to customers under certain contracts, as well as law enforcement software licenses and maintenance, and analytical software. Revenue from the sale of devices and parts is recognized upon their transfer of control to the customer, which is generally upon shipment, but may vary per contract. Payment terms are generally 30 days from invoice date. When purchasing products (such as ReliAlert® devices) from the Company, customers may, but are not required to, enter into monitoring service contracts with us. The Company recognizes revenue on monitoring services for customers that have previously purchased devices at the end of each month that monitoring services have been provided.

Multiple Element Arrangements

The majority of our revenue transactions do not have multiple elements. However, on occasion, the Company may enter into revenue transactions that have multiple elements. These may include different combinations of products or services that are included in a single billable rate. These products or services are delivered over time as the customer utilizes our services. In cases where obligations in a contract are distinct and thus require separation into multiple performance obligations, revenue recognition guidance requires that contract consideration be allocated to each distinct performance obligation based on its relative standalone selling price. The value allocated to each performance obligation is then recognized as revenue when the revenue recognition criteria for each distinct promise or bundle of promises has been met. There were no multiple element arrangements during the three months ended December 31, 2024 and 2023.

The standalone selling price for each performance obligation is an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the good or service. When there is only one performance obligation associated with a contract, the entire sale value is attributed to that obligation. When a contract contains multiple performance obligations the transaction value is first allocated using the observable price, which is generally a list price, net of applicable discount, or the price used to sell in similar circumstances. In circumstances when a selling price is not directly observable, the Company will estimate the standalone selling price using information available to us.

Other Matters

The Company considers an arrangement with payment terms longer than the Company's normal terms not to be fixed or determinable. Normal payment terms for the sale of monitoring services and products are due upon receipt to 30 days. The Company sells devices and services directly to end users and to distributors. Distributors do not have general rights of return. Also, distributors may not have price protection or stock protection rights with respect to devices sold to them by us. Generally, title and risk of loss pass to the buyer upon delivery of the devices.

Shipping and handling fees charged to customers are included as part of total revenue. The related freight costs and supplies directly associated with shipping products to customers are included as a component of cost of revenue.

The following table presents the Company's revenue by geography, based on management's assessment of available data:

	Three Months Ended December 31, 2024		Three Months Ended December 31, 2023	
	Total Revenue	% of Total Revenue	Total Revenue	% of Total Revenue
United States	$ 6,473,657	75%	$ 6,457,328	72%
Latin America	1,973,054	23%	2,332,787	26%
Other	221,617	2%	176,857	2%
Total	$ 8,668,328	100%	$ 8,966,972	100%

The above table includes total revenue for the Company, of which monitoring and other related services is the majority (approximately 97% for the three months ended December 31, 2024 and 2023) of the Company's revenue. Latin America includes Bahamas, Chile, Puerto Rico, Brazil, Panama, Caymen Islands and the U.S. Virgin Islands. Other includes Canada.

The balance of accounts receivable at December 31, 2024 of $5,319,041 includes an unbilled balance of $0 and the balance of accounts receivable at September 30, 2024 of $4,428,535 does not include an unbilled balance of $495,969, which was included in assets held for sale on the Consolidated Balance Sheet. The balance of accounts receivable at October 1, 2023 of $4,536,916 included an unbilled balance of $490,848. Accounts receivable, which is made up of trade receivables for monitoring and other related services, are carried at original invoice amount less allowances for credits and for any potential uncollectible amounts due to credit losses. We make estimates of the expected credit and collectability trends for the allowance for credit losses based on our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect our ability to collect from our customers. Expected credit losses are recorded as selling and marketing expense on our Condensed Consolidated Statements of Operations. As of December 31, 2024, the Company had an allowance for credit losses of $525,141, which includes an allowance for credit memos of $70,000, at September 30, 2024 an allowance for credit losses of $432,904, which included an allowance for credit memos of $70,000, and at October 1, 2023 an allowance for credit losses of $178,095, which included an allowance for credit memos of $23,065.

The following table summarizes the activity of allowance for credit losses on accounts receivable for the three months ended December 31, 2024:

	Three Months Ended December 31, 2024
Balance - beginning of period	$ 432,904
Increase to provision for credit losses	92,237
Balance - end of period	$ 525,141

For the three months ended December 31, 2024 and 2023, the Company wrote-off accounts receivables of $0 and $14, respectively. The balances of deferred revenue at December 31, 2024, September 30, 2024, and October 1, 2023 were $0, $0, and $431, respectively. The Company recognized $0 and $150,431 of deferred revenue in the three months ended December 31, 2024 and 2023, respectively.

(8) PREPAID EXPENSE AND DEPOSITS

As of December 31, 2024 and September 30, 2024, the outstanding balance of prepaid expense and deposits was $420,680 and $638,293, respectively. These balances are comprised largely of tax deposits, vendor deposits and other prepaid supplier expense.

(9) INVENTORY

Inventory is valued at the lower of the cost or net realizable value. Cost is determined using the first-in/first-out method. Net realizable value is determined based on the item selling price. Inventory is periodically reviewed in order to identify obsolete or damaged items or impaired values.

Inventory consists of parts used for minor repairs of ReliAlert™, and other tracking devices. Inventory also consists of completed circuit boards and the components used to manufacture circuit boards. Completed and shipped ReliAlert™ and other tracking devices are reflected in Monitoring Equipment. As of December 31, 2024 and September 30, 2024, inventory consisted of the following:

	December 31, 2024	September 30, 2024
Monitoring equipment component boards inventory	$ 911,033	$ 665,329
Reserve for damaged or obsolete inventory	(99,041)	(82,848)
Total inventory, net of reserves	$ 811,992	$ 582,481

The Company uses a third-party fulfillment service provider. As a result of this service, the Company's employees do not actively assemble new products or repair a significant amount of monitoring equipment shipped directly from suppliers. Purchases of monitoring equipment are recognized directly. Management believes this process reduces maintenance and fulfillment costs associated with inventory and monitoring equipment. Management reviews inventory regularly to identify damaged or obsolete inventory and reserves for potential losses. The Company recorded charges of $16,192 and $0 during the three months ended December 31, 2024 and 2023, respectively, for inventory that was obsolete, lost or damaged. Obsolete, lost and damaged items are expensed in Monitoring, products & other related services in the Consolidated Statement of Operations.

(10) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2024 and September 30, 2024:

	December 31, 2024	September 30, 2024
Equipment, software and tooling	$ 115,496	$ 114,088
Leasehold improvements	98,979	237,722
Furniture and fixtures	127,297	120,364
New device fixed assets	303,000	275,035
Total property and equipment before accumulated depreciation	644,772	747,209
Accumulated depreciation	(293,419)	(430,003)
Property and equipment, net of accumulated depreciation	$ 351,353	$ 317,206

Property and equipment depreciation expense for the three months ended December 31, 2024 and 2023 was $7,312 and $18,989, respectively. Depreciation expense for property and equipment is recognized in operating expense on the Condensed Consolidated Statements of Operations.

(11) MONITORING EQUIPMENT

The Company leases monitoring equipment to agencies for offender tracking under contractual service agreements. The monitoring equipment is depreciated using the straight-line method over an estimated useful life of between one and three years for customer tablets and three to five years for monitoring devices. Monitoring equipment as of December 31, 2024 and September 30, 2024 is as follows:

	December 31, 2024	September 30, 2024
Monitoring equipment	$ 9,695,237	$ 10,581,836
Less: accumulated depreciation	(5,145,204)	(5,982,972)
Monitoring equipment, net of accumulated depreciation	$ 4,550,033	$ 4,598,864

Depreciation of monitoring equipment for the three months ended December 31, 2024 and 2023 was $447,051 and $382,453, respectively. Depreciation expense for monitoring devices is recognized in cost of revenue on the Condensed Consolidated Statements of Operations. During the three months ended December 31, 2024 and 2023, the Company recorded charges of $71,868 and $98,673, respectively, for devices that were lost, stolen or damaged. Lost, stolen or damaged items are included in cost of revenue - Monitoring, products & other related service costs in the Condensed Consolidated Statements of Operations.

(12) INTANGIBLE ASSETS

The following table summarizes the activity of intangible assets at December 31, 2024 and September 30, 2024:

	December 31, 2024			September 30, 2024		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Patent & royalty agreements	$ 21,120,565	$ (15,647,138)	$ 5,473,427	$ 21,120,565	$ (15,426,897)	$ 5,693,668
Developed technology	12,111,473	(4,169,124)	7,942,349	12,399,380	(4,133,477)	8,265,903
Trade name	137,824	(137,824)	-	139,592	(139,592)	-
Total intangible assets	$ 33,369,862	$ (19,954,086)	$ 13,415,776	$ 33,659,537	$ (19,699,966)	$ 13,959,571

The intangible assets summarized above were purchased or developed on various dates from July 2011 through December 31, 2024.

Total amortization expense for the three months ended December 31, 2024 and 2023 was $508,414 and $627,781, respectively. Included in the total amortization expense was $288,173 and $407,010 included in cost of revenue on the Condensed Consolidated Statements of Operations for three months ended December 31, 2024 and 2023, respectively, and $220,241 and $220,771 in amortization expense included in operating expense on the Condensed Consolidated Statements of Operations for three months ended December 31, 2024 and 2023, respectively.

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The following table summarizes the future maturities of amortization of intangible assets as of December 31, 2024:

Twelve months ended December 31:		Amortization
2025		2,440,086
2026		2,768,407
2027		2,804,301
2028		2,246,189
2029		1,688,078
Thereafter		1,468,715
Total	$	13,415,776

(13) GOODWILL

The following table summarizes the activity of Goodwill at December 31, 2024 and September 30, 2024, respectively:

		Three Months Ended December 31, 2024		Year Ended September 30, 2024
Balance - beginning of period	$	7,941,190	$	7,851,466
Effect of foreign currency translation on goodwill		(27,821)		89,724
Balance - end of period	$	7,913,369	$	7,941,190

Goodwill is recognized in connection with acquisition transactions in accordance with ASC 805. The Company performs an impairment test for goodwill annually or more frequently if indicators of potential impairment exist. No impairment of goodwill was recognized through December 31, 2024.

(14) OTHER ASSETS

As of December 31, 2024 and September 30, 2024, the balance of other assets was $1,238,608 and $660,170, respectively. Other assets at December 31, 2024 are comprised largely of right of use assets, lease deposits, cash used as collateral for a performance bond and deferred income tax. Other assets as of December 31, 2024 and September 30, 2024 exclude amounts classified as held for sale on the Condensed Consolidated Balance Sheet of $0 and $246,397, respectively. See Note 23 for additional information.

(15) LEASES

Leases as Lessor

Monitoring Equipment and Other Related Services

The Company leases monitoring equipment and provides monitoring services to its customers with contract terms varying from month-to-month to several years and each daily contract price varies. Devices supplied to customers are not serial number unique and a single device may be used by multiple customers over its useful life. If a leased device is returned for repair, it will likely be replaced with a different device from a different customer or possibly a new device.

The Company's tracking devices are considered operating leases under ASC 842 as transfer of control of the asset does not occur at the end of the lease, a single device is not specific to a customer and devices may be used by multiple customers throughout their life cycle. Due to the movement of devices from customer to customer, relatively few long-term contracts, the measurement of the equipment life and the present value of the equipment's fair values would not be a measurement to qualify the devices as sales-type leases.

Operating lease and monitoring revenue associated with the Company's monitoring equipment for the three months ended December 31, 2024 and 2023, respectively, are shown in the table below:

	Three Months Ended December 31,			
		2024		2023
Monitoring equipment operating revenue	$	7,712,146	$	7,317,614

The Company cannot accurately estimate 5-years of future minimum lease receipts for its devices leased to customers because none of its customers make any contractual commitment regarding the number of active devices utilized in any given year and those quantities of active devices vary significantly for every customer each and every day.

Leases as Lessee

The following table shows right of use assets and lease liabilities for real estate and equipment, with the associated financial statement line items as of December 31, 2024 and September 30, 2024.

	December 31, 2024		September 30, 2024	
	Operating lease asset	Operating lease liability	Operating lease asset	Operating lease liability
Other assets	$ 879,210		$ 314,767	
Accrued liabilities		199,387		128,360
Long-term liabilities		679,823		186,407

The following table summarizes the supplemental cash flow information for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Cash paid for noncancelable operating leases included in operating cash flows	$ 62,087	$ 69,940
Right of use assets obtained in exchange for operating lease liabilities	$ 627,701	$ 43,974

The future minimum lease payments under noncancelable operating leases with terms greater than one year as of December 31, 2024 are:

	Operating Leases
From January 2025 to December 2025	$ 236,496
From January 2026 to December 2026	232,672
From January 2027 to December 2027	207,236
From January 2028 to December 2028	149,423
From January 2029 to December 2029	152,013
Thereafter	-
Undiscounted Cash Flow	977,840
Less: imputed interest	(98,630)
Total	$ 879,210
Reconciliation to lease liabilities:	
Lease liabilities - current	$ 199,387
Lease liabilities - long-term	679,823
Total Lease Liabilities	$ 879,210

The weighted-average remaining lease term and discount rate related to the Company's lease liabilities as of December 31, 2024 were 4.30 years and 4.7%, respectively. The Company's lease discount rates are generally based on the estimates of its incremental borrowing rate as the discount rates implicit in the Company's leases cannot be readily determined.

(16) ACCRUED LIABILITES

Accrued liabilities consisted of the following as of December 31, 2024 and September 30, 2024:

	December 31, 2024	September 30, 2024
Accrued payroll, taxes and employee benefits	$ 662,960	$ 1,243,926
Accrued taxes - foreign and domestic	172,651	169,951
Accrued other expense	91,515	110,118
Accrued legal and other professional costs	118,812	61,779
Accrued costs of revenue	91,884	214,727
Right of use liability	199,387	128,360
Deferred financing fees	110,310	162,750
Accrued interest	1,095,413	547,707
Total accrued liabilities	$ 2,542,932	$ 2,639,318

Accrued liabilities in the table above as of December 31, 2024 and September 30, 2024 exclude amounts classified as held for sale of $0 and $636,640, respectively. See Note 23 for additional information.

(17) RELATED PARTIES

ETS Limited is currently the beneficial owner of 4,706,579 shares of the Company's Common Stock (the "*Track Group Shares*") held by ADS Securities LLC ("*ADS*") under an agreement dated September 28, 2017, pursuant to which ADS transferred all the Track Group Shares to ETS Limited in exchange for all the outstanding shares of ETS Limited. A Director of ETS Limited was elected to the Company's current Board of Directors (the "*Board*") on February 7, 2018 and is still serving on the Board.

(18) DEBT OBLIGATIONS

Debt obligations, net of debt issuance costs, as of December 31, 2024 and September 30, 2024, consisted of the following:

	December 31, 2024	September 30, 2024
The unsecured loan (the "*Amended Facility Agreement*") from Conrent Invest S.A. ("*Conrent*") whereby, as of March 1, 2021, the Company had borrowed $42,864,000, bearing interest at a rate of 4% per annum, payable in arrears annually beginning July 1, 2021, with all principal and accrued and unpaid interest due on July 1, 2024. On April 26, 2023, the Company and Conrent entered into an amendment to the facility agreement, which extended the maturity date from July 1, 2024 to July 1, 2027. Interest payments are scheduled to be made on June 30 each year. Unamortized issuance costs at December 31, 2024 are $204,366. As of December 31, 2024, $42,864,000 of principal and $1,095,413 of interest was owed to Conrent. The Company paid Conrent $0 in interest for the three months ended December 31, 2024 and 2023.	$ 42,659,634	$ 42,639,197
Total debt obligations	42,659,634	42,639,197
Less: current portion	-	-
Long-term debt, less current portion	$ 42,659,634	$ 42,639,197

On December 21, 2020, Conrent and the Company signed an amendment to the Amended Facility Agreement which extended the maturity date of the Amended Facility Agreement to July 1, 2024 ("*Amended Facility*"), capitalized the accrued and unpaid interest increasing the outstanding principal amount and reduced the interest rate of the Amended Facility from 8% to 4%. On April 26, 2023, the Company and Conrent entered into another amendment to the Amended Facility (the "*Amendment*"). The Amendment: (i) extended the maturity date from July 1, 2024, to July 1, 2027 (the "*Maturity Date*"); (ii) amended the applicable interest rate resulting in an escalating interest rate as follows: 4% through June 30, 2024, 5% through June 30, 2025, 5.5% through June 30, 2026, and 6% through the Maturity Date and (iii) removed section 7.3 "*Change of Control*" of the Amended Facility Agreement. In return, the Company agreed to pay certain fees to Conrent. As of December 31, 2024, $42,864,000 of principal and $1,095,413 of interest was owed to Conrent.

The following table summarizes our future maturities of debt obligations, net of the amortization of debt discounts as of December 31, 2024:

Twelve months ended December 31:	Total
2025	$ -
2026	-
2027	42,864,000
Total	42,864,000
Issuance costs	(204,366)
Debt obligations, net of unamortized issuance costs	$ 42,659,634

(19) PREFERRED AND COMMON STOCK

The Company is authorized to issue up to 30,000,000 shares of Common Stock and up to 20,000,000 shares of preferred stock, $0.0001 par value per share ("*Preferred Stock*"). The Company's Board has the authority to amend the Company's Certificate of Incorporation, without further stockholder approval, to designate and determine, in whole or in part, the preferences, limitations and relative rights of the Preferred Stock before any issuance of the Preferred Stock, and to create one or more series of Preferred Stock. As of December 31, 2024, there were no shares of Preferred Stock outstanding.

No dividends were paid during the three months ended December 31, 2024 or 2023, respectively.

Common Stock Issuances

There were no issuances of Common Stock in the three months ended December 31, 2024.

Series A Convertible Preferred Stock

On October 12, 2017, the Company filed a Certificate of Designation of the Relative Rights and Preferences ("*Certificate of Designation*") with the Delaware Division of Corporations, designating 1,200,000 shares of the Company's preferred stock as Series A Preferred. Shares of Series A Preferred rank senior to the Company's Common Stock, and all other classes and series of equity securities of the Company that by their terms do not rank senior to the Series A Preferred.

Except with respect to transactions upon which holders of the Series A Preferred are entitled to vote separately as a class under the terms of the Certificate of Designation, the Series A Preferred has no voting rights. The shares of Common Stock into which the Series A Preferred is convertible shall, upon issuance, have all of the same voting rights as other issued and outstanding shares of our Common Stock.

The Series A Preferred has no separate dividend rights; however, whenever the Board declares a dividend on the Company's Common Stock, if ever, each holder of record of a share of Series A Preferred shall be entitled to receive an amount equal to such dividend declared on one share of Common Stock multiplied by the number of shares of Common Stock into which such share of Series A Preferred could be converted on the Record Date.

Each share of Series A Preferred has a Liquidation Preference of $35.00 per share, and is convertible, at the holder's option, into ten shares of the Company's Common Stock, subject to adjustments as set forth in the Certificate of Designation, at any time beginning five hundred and forty days after the date of issuance.

As of December 31, 2024, no shares of Series A Preferred were issued and outstanding.

(20) STOCK OPTIONS AND WARRANTS

Stock Incentive Plan

At the annual meeting of stockholders on April 13, 2022, our stockholders approved the 2022 Omnibus Equity Incentive Plan (the "*2022 Plan*"), previously approved by the Company's Board. The 2022 Plan provides for the grant of incentive options and nonqualified options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards to employees and certain non-employees who provide services to the Company in lieu of cash. A total of 500,000 shares are authorized for issuance pursuant to awards granted under the 2022 Plan.

The 2022 Plan supersedes and replaces the Company's 2012 Equity Compensation Plan (the "*2012 Plan*"). As of June 30, 2020, the Board suspended further awards under the 2012 Plan. Any awards outstanding under the 2012 Plan will remain subject to the 2012 Plan. All shares of Common Stock remaining authorized and available for issuance under the 2012 Plan and any shares subject to outstanding awards under the 2012 Plan that subsequently expire, terminate, or are surrendered or forfeited for any reason without issuance of shares will automatically become available for issuance under our 2022 Plan.

There were no issuances of restricted shares in the three months ended December 31, 2024 and 2023.

The Company recorded expense of $0 and $3,431 for the three months ended December 31, 2024 and 2023, respectively, related to the 2022 Plan. As of December 31, 2024, there were 215,000 shares of our Common Stock reserved for future issuance under the 2022 Plan and 27,218 shares of our Common Stock reserved for future issuance under the predecessor 2012 Plan.

All Options and Warrants

The fair value of each stock option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model. During the three months ended December 31, 2024 and 2023, the Company granted no options or warrants under the 2022 Plan or under the 2012 Plan. The Company recorded no expense for the three months ended December 31, 2024 and 2023, respectively, related to the issuance and vesting of outstanding options and warrants.

There are no outstanding options or warrants at December 31, 2024 and no future issuances are expected.

As of December 31, 2024, no compensation expense associated with unvested stock options and warrants issued previously to members of the Board of Directors will be recognized over the next year.

(21) INCOME TAXES

The Company recognizes deferred income tax assets or liabilities for the expected future tax consequences of events that have been recognized in the financial statements or income tax returns. Deferred income tax assets or liabilities are determined based upon the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to apply when the differences are expected to be settled or realized. Deferred income tax assets are reviewed periodically for recoverability and valuation allowances are provided as necessary. Interest and penalties related to income tax liabilities, when incurred, are classified in interest expense and income tax provision, respectively.

The amount and ultimate realization of the benefits from the net operating losses is dependent, in part, upon the tax laws in effect, our future earnings, and other future events, the effects of which cannot be determined. The Company has established a valuation allowance for all deferred income tax assets not offset by deferred income tax liabilities due to the uncertainty of their realization.

In computing income tax, we recognize an income tax provision in tax jurisdictions in which we have pre-tax income for the period and are expecting to generate pre-tax book income during the fiscal year.

(22) COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of nearly all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. Other than as set forth below, there are no additional pending or threatened legal proceedings at this time.

SecureAlert, Inc. v. Federal Government of Mexico (Department of the Interior). On March 24, 2017, SecureAlert Inc. (a predecessor entity to Track Group, Inc. or the Company) filed a complaint as the Plaintiff before the Federal Administrative Tribunal, asserting the failure by defendants to pay claimant amounts agreed to, and due under, the Pluri Annual Contract for the Rendering of Monitoring Services of Internees, through Electric Bracelets, in the Islas Marias Penitentiary Complex dated July 15, 2011. Although preliminary rulings have been unfavorable to the Company, the Company's counsel continues to review its remaining claims which are upwards of $4.0 million. Based upon the fee arrangement the Company has with its counsel, we anticipate the future liabilities attributable to legal expense will be minimal.

Commonwealth of Puerto Rico, through its Trustees v. International Surveillance Services Corporation. On January 23, 2020, the Company was served with a summons for an Adversary Action pending against International Surveillance Services Corporation ("*ISS*"), a subsidiary of the Company, now known as Track Group – Puerto Rico Inc., in the United States District Court for the District of Puerto Rico seeking to recover allegedly fraudulent transfers and to disallow claims pursuant to United States Bankruptcy and Puerto Rican law. The allegations stem from payments made to ISS between 2014 and 2017, which the Company believes were properly made in accordance with a contract between ISS and the government of Puerto Rico, through the Oficina de Servicios con Antelacion a Juicio, originally signed in 2011. The Company is confident that all payments it received were earned and due under applicable law and produced documentation supporting its position in an informal document exchange with the Commonwealth on July 6, 2020. At this time, the case remains stayed by Court order. The Company remains confident in its position and no accrual for a potential loss has been made, after consultation with legal counsel.

Kevin Barnes v. Track Group, Inc., et. al. On December 28, 2023, the Company was served with a second amended complaint filed in the Circuit Court of Cook County, Illinois naming the Company and alleging strict liability and negligence against the Company and other defendants related to alleged injuries sustained by Barnes from an electronic monitoring device. The Company disputes Barnes' claims and will defend the case vigorously. The Company remains confident in its position and no accrual for a potential loss has been made, after consultation with legal counsel.

(23) SALE OF SUBSIDIARY

On November 1, 2024, the Company announced the entry into a Stock Purchase Agreement dated October 29, 2024, by and between the Company and Inversiones Santa Hortensia SpA, a stock corporation organized under the laws of Chile ("*ISA*") (the "*Agreement*"), pursuant to which the Company agreed to sell to ISA all of the issued and outstanding shares of capital stock of Track Group – Chile SpA ("*Track Group Chile*") beneficially owned by the Company (the "*Shares*"). The purchase price of the Shares was $1.0 million USD, paid at the closing of the transactions contemplated by the Agreement.

In connection with the execution of the Agreement, the Company and ISA entered into certain related agreements, including a Track Group Chile Transition Services Agreement, the OTD Sale and Service Agreement and the Trademark License Agreement (together, the "*Related Agreements*"). Under the terms of the Related Agreements, the Company will (i) sell and continue to provide Track Group Chile with certain offender Tracking Devices, and related software and will provide the necessary technical service regarding the products it sells and/or supplies to Track Group Chile; (ii) provide certain transition services to Track Group Chile; and (iii) license to Track Group Chile the right to use the trademark Track Group.

As of September 30, 2024 the Company concluded that Track Group Chile met all of the criteria for classification as held for sale. As a result, the Company measured the assets and liabilities below as held for sale at its fair value, which was a selling price of $1.0 million and accordingly recorded an impairment of $757,130 in the Condensed Consolidated Statements of Operations.

The Company wrote-off the associated assets and liabilities of this entity as of the date of the sale and recorded a pre-tax loss on sale of subsidiary of $66,483, which has been reflected in the Condensed Consolidated Statements of Operations for the three months ended December 31, 2024. The Company does not view this sale of subsidiary as a strategic shift in its operations and therefore it did not meet the criteria of discontinued operations.

The following summarizes the loss on sale of subsidiary:

Proceeds from sale of subsidiary	$	1,000,000
Net assets and liabilities, including $251,285 of cash		324,430
Cumulative translation adjustment released to net loss		(1,390,913)
Loss on sale of subsidiary	$	(66,483)

(24) SUBSEQUENT EVENTS

In accordance with the Subsequent Events Topic of FASB ASC 855*,* we have evaluated subsequent events for their potential impact on the consolidated financial statements and disclosures through the filing date and determined that no subsequent events occurred that were reasonably expected to have an impact on the financial statements presented herein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report", or this "Report") contains information that constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Generally, the statements contained in this Report that are not purely historical can be "forward-looking statements". These statements represent our expectations, hopes, beliefs, anticipations, commitments, intentions, and strategies regarding the future. They may be identified using words or phrases such as "believes", "expects", "intends", "anticipates", "should", "plans", "estimates", "projects", "potential", and "will" among others. Forward-looking statements include, but are not limited to, statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial performance, revenue, and expense levels in the future and the sufficiency of our existing assets to fund future operations and capital spending needs. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in "Risk Factors" in our most recent Annual Report on Form 10-K, and those described from time to time in our reports filed with the Securities and Exchange Commission ("SEC").

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto that are contained in this Report, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2024, and Current Reports on Form 8-K that have been filed with the SEC through the date of this Report. Except as otherwise indicated, as used in this Report, the terms the "Company", "Track Group", "we", "our", and "us" refer to Track Group, Inc., a Delaware corporation.

General

Our core business is based on the leasing of patented tracking and monitoring solutions to federal, state and local law enforcement agencies, both in the U.S. and abroad, for the electronic monitoring of offenders and offering unique data analytics services on a platform-as-a-service ("*PaaS*") business model. Currently, we deploy offender-based management services that combine patented GPS tracking technologies, full-time 24/7/365 global monitoring capabilities, case management, and proprietary data analytics. We offer customizable tracking solutions that leverage real-time tracking data, best practices monitoring, and analytics capabilities to create complete, end-to-end tracking solutions.

Devices - Our devices consist principally of the ReliAlert® product line. These devices are generally leased on a daily rate basis and may be combined with our monitoring center services, proprietary software and data analytics subscription to provide an end-to-end PaaS.

ReliAlert®XC4 is our flagship GPS device, which is among the safest and most reliable monitoring devices ever made. It is the only one-piece GPS device with patented 3-way voice communication to assist intervention efforts, now on the LTE network with increased battery life. This device includes on-board processing, secondary location technology, a 95db siren, embedded RF technology, anti-tampering capabilities, increased battery life and sleep mode.

ReliAlert®XC3 - Advanced features enable agencies to effectively track offender movements and communicate directly with offenders in real-time, through a patented, on-board two/three-way voice communication technology. This device includes an enhanced GPS antenna and GPS module for higher sensitivity GPS, enhanced voice audio quality, increased battery performance of 50+ hours, 3G cellular capabilities, improved tamper sensory and durability enhancements.

Monitoring Center Services - Our monitoring centers provide live 24/7/365 monitoring of all alarms generated from our devices, as well as customer and technical support. Our monitoring center operators play a vital role, and as such, are staffed with highly trained, bilingual individuals. These operators act as an extension of agency resources receiving alarms, communicating and intervening with offenders regarding violations and interacting with supervision staff, all pursuant to agency-established protocols. The facilities have redundant power sources, battery backup and triple redundancy in voice, data and IP. We have assisted in the establishment of monitoring centers for customers and local partners in the United States, Chile and other global locations.

Data Analytics Services - Our IntelliTrack, TrackerPAL® software, IntelliTrack Mobile, TrackerPAL® Mobile, combined with our Data Analytic analysis tools, provide an integrated platform allowing case managers and law enforcement officers quick access views of an offender's travel behavior, mapping, and inference on patterns. Our data analytics services help facilitate the discovery and communication of meaningful patterns in diverse locations and behavioral data that helps agencies reduce risks and improve decision making. Our analytics applications use various combinations of statistical analysis procedures, data and text mining and predictive modeling to proactively analyze information on community-released offenders to discover hidden relationships and patterns in their behaviors and to predict future outcomes.

Other Services - The Company offers smartphone applications specifically designed for the criminal justice market, including a domestic violence app that creates a mobile geo-zone around a survivor and an alcohol monitoring app linked to a police-grade breathalyzer.

Business Strategy

We are committed to helping our customers improve offender rehabilitation and re-socialization outcomes through our innovative hardware, software and services. We treat our business as a service business. Although we still manufacture patented tracking technology, we see the physical goods as only a small part of the integrated offender monitoring solutions we provide. Accordingly, rather than receiving a payment just for a piece of manufactured equipment, the Company receives a recurring stream of revenue for ongoing device agnostic subscription contracts. As part of our strategy, we continue to expand our device-agnostic platform to not only collect, but also store, analyze, assess and correlate location data for both accountability and auditing reasons, as well as to use for predictive analytics and assessment of effective and emerging techniques in criminal behavior and rehabilitation. We believe a high-quality customer experience along with knowledgeable salespeople who can convey the value of our products and services greatly enhances our ability to attract and retain customers. Therefore, our strategy also includes building and expanding our own direct sales force and our third-party distribution network to effectively reach more customers and provide them with a world-class sales and post-sales support experience. In addition, we are developing related-service offerings to address adjacent market opportunities in both the public and private sectors. We believe continual investment in research and development ("*R&D*"), including smartphone applications and other monitoring services is critical to the development and sale of innovative technologies and integrated solutions today and in the future.

Critical Accounting Policies

From time to time, management reviews and evaluates certain accounting policies that are considered to be significant in determining the results of operations and financial position.

A description of the Company's critical accounting policies that affect the preparation of the Company's financial statements is set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2024, filed with the SEC on December 23, 2024. During the three months ended December 31, 2024, there have been no changes to the Company's critical accounting policies.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense. By their nature, these judgments are subject to an inherent degree of uncertainty. We assess the reasonableness of our estimates, including those related to credit losses, inventories, right of use assets, estimated useful lives, intangible assets, warranty obligations, product liability, revenue, legal matters and income taxes. We base our estimates on historical experience as well as available current information on a regular basis. Management uses this information to form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Government Regulation

Our operations are subject to various federal, state, local and international laws and regulations.

Currently, we are not involved in any pending or, to our knowledge, threatened governmental proceedings, which would require curtailment of our operations because of such laws and regulations.

Results of Operations

Three Months Ended December 31, 2024 compared to Three Months Ended December 31, 2023

Revenue

For the three months ended December 31, 2024, the Company recognized total revenue from operations of $8,668,328 compared to $8,966,972 for the three months ended December 31, 2023, a decrease of $298,644 or approximately 3.3%. The decrease in monitoring revenues is driven principally by a decrease in people assigned to monitoring for clients in Michigan and Virginia, and due to our recently sold Chilean subsidiary. This decrease was partially offset by revenue increases for clients in Illinois, Puerto Rico and the Bahamas who experienced increases in the number of people assigned to monitoring. These increases and reductions from all of these locations represent typical fluctuations which occur daily.

Product sales and other revenue for the three months ended December 31, 2024 decreased to $227,021 from $292,487 in the same period in 2023, a decrease of $65,466 or approximately 22%. The decrease in product and other revenue was largely due to decreased international product sales, principally to a customer in Brazil, partially offset by an increase in product sales to a customer in Chile. We continue to largely focus on recurring subscription-based opportunities as opposed to equipment sales.

The industry in which the Company operates, as well as many other industries (automotive, consumer products and medical devices), have been impacted by the global semiconductor shortage. The availability of semiconductor parts has improved in Fiscal 2024 and the beginning of Fiscal 2025 to within industry acceptable lead times.

Cost of Revenue

During the three months ended December 31, 2024, cost of revenue totaled $4,243,986 compared to cost of revenue during the three months ended December 31, 2023 of $4,763,452, a decrease of $519,466 or 11%. The decrease in cost of revenue was largely the result of lower device repair costs of $49,182, lower communication costs of $61,002 and lower monitoring center costs of $347,378.

Depreciation and amortization included in cost of revenue for the three months ended December 31, 2024 and 2023 totaled $735,224 and $789,463, respectively, a decrease of $54,239 or 7%. These costs represent the depreciation of ReliAlert® and other monitoring devices, the amortization of monitoring software and certain royalty agreements, and amortization of a patent related to GPS and satellite tracking. The decrease in depreciation and amortization costs is largely due to a decrease in amortization of $112,500 for fully amortized device royalties, partially offset by an increase in device depreciation of $64,598. Devices are depreciated over either a three- or five-year useful life. Monitoring software is amortized over a seven-year life. Royalty agreements are being amortized over a ten-year useful life. The Company believes these lives are appropriate due to changes in electronic monitoring technology and the corresponding potential for obsolescence. Management periodically assesses the useful life of the devices for appropriateness.

Gross Profit and Margin

During the three months ended December 31, 2024, gross profit totaled $4,424,342, resulting in a gross margin of approximately 51%. During the three months ended December 31, 2023, gross profit totaled $4,203,520, resulting in a gross margin of approximately 47%. The increase in absolute gross profit of $220,822 is due to a decrease in monitoring center costs, partially offset by a decrease in revenue.

General and Administrative Expense

During the three months ended December 31, 2024, general and administrative expense totaled $2,431,118 compared to $2,757,887 for the three months ended December 31, 2023. The decrease of $326,769 or approximately 12% is due to a decrease in payroll, benefits, and payroll taxes of $275,386 primarily due to the sale of our Chile subsidiary on November 1, 2024 and a decrease in bad debt expense of $120,703 due to this now being recorded in sales and marketing.

Selling and Marketing Expense

During the three months ended December 31, 2024, selling and marketing expense totaled $901,189 compared to $706,531 for the three months ended December 31, 2023. The increase of $194,658 or approximately 28% resulted largely from higher bad debt expense of $92,237 due to this previously being recorded in general and administrative expense and higher payroll, benefits, and payroll taxes of $105,674 due to open sales and marketing positions in the first quarter of 2024.

Research and Development Expense

During the three months ended December 31, 2024, research and development expense totaled $669,391 compared to $682,463 for the three months ended December 31, 2023. The nominal decrease was largely due to decreased payroll, benefits and payroll taxes.

Depreciation and Amortization Expense

During the three months ended December 31, 2024, depreciation and amortization expense totaled $227,553 compared to $239,760 for the three months ended December 31, 2023, a decrease of $12,207 or approximately 5%, largely due to fully depreciated fixed assets.

Loss on Sale of Subsidiary

On November 1, 2024, we completed the sale of a Chile subsidiary and recognized a loss of $66,483. See Note 23 to the Consolidated Financial Statements for additional information.

Total Operating Expense

During the three months ended December 31, 2024, total operating expense decreased to $4,295,734 compared to $4,386,641 for the three months ended December 31, 2023, a decrease of $90,907 or approximately 2%. The decrease is principally due to the factors disclosed above.

Operating Income (Loss)

During the three months ended December 31, 2024, operating income was $128,608 compared to operating loss of ($183,121) for the three months ended December 31, 2023. The increase of $311,729 in operating income was principally due to a decrease in cost of revenue and a decrease in operating expense, partially offset by a decrease in revenue.

Other Income (Expense)

For the three months ended December 31, 2024, other expense totaled ($2,068,221) compared to other income of $101,023 for the three months ended December 31, 2023, an increase of $2,169,244. The increase in other expense is largely due to an increase in currency exchange rate loss of $2,038,207 between the US Dollar vs. the Chilean Peso, Canadian Dollar, and New Israeli Shekel, compared to the prior fiscal period and an increase in interest expense of $85,714 due to the escalating interest rate on the Amended Facility Agreement with Conrent.

Net Income (Loss) Attributable to Common Stockholders

The Company had net loss attributable to common stockholders of ($2,010,849) for the three months ended December 31, 2024, compared to net income attributable to common stockholders of $461 for the three months ended December 31, 2023, an increase in net loss of $2,011,310. This increase in net loss is largely due to an increase in currency exchange rate loss.

Liquidity and Capital Resources

The company believes that its existing cash and its future cash flow from operations will be sufficient to meet the cash requirements of its existing business for the foreseeable future.

On December 21, 2020, Conrent and the Company signed an amendment to the Amended Facility Agreement which extended the maturity date of the Amended Facility Agreement to July 1, 2024 ("*Amended Facility*"), capitalized the accrued and unpaid interest, increasing the outstanding principal amount and reduced the interest rate of the Amended Facility from 8% to 4%. On April 26, 2023, the Company and Conrent entered into another amendment to the Amended Facility (the "*Amendment*"). The Amendment: (i) extended the maturity date from July 1, 2024, to July 1, 2027 (the "*Maturity Date*"); (ii) amended the applicable interest rate resulting in an escalating interest rate as follows: 4% through June 30, 2024, 5% through June 30, 2025, 5.5% through June 30, 2026, and 6% through the Maturity Date; and (iii) removed section 7.3 "*Change of Control*" of the Amended Facility Agreement. In return, the Company agreed to pay total fees of EUR 225,000 ($238,000USD at conversion rate at time of signing new agreement in April 2023) in five annual installments to Conrent. As of December 31, 2024, $42,864,000 of principal and $1,095,413 of interest was owed to Conrent.

No borrowings or sales of equity securities occurred during the three months ended December 31, 2024 or 2023.

Net Cash Flows Provided by (Used in) Operating Activities.

During the three months ended December 31, 2024, we had cash used in operating activities of ($217,292), compared to cash provided by operating activities of $642,325 for the three months ended December 31, 2023, representing a decrease of $859,617. The decrease in cash from operations was largely the result of increases in payments to vendors and decreases in collections from customers, partially offset by an increase in operating income.

Net Cash Flows Used in Investing Activities.

The Company used $204,273 of cash from investing activities during the three months ended December 31, 2024, compared to $856,515 of cash used for investing activities during the three months ended December 31, 2023. The decrease of $652,242 or 76% was largely the result of proceeds from the sale of our Chile subsidiary, net of cash included in the sale of $748,715.

Net Cash Flows Used in Financing Activities.

The Company used $63,839 of cash for financing activities during the three months ended December 31, 2024, compared to $124,338 during the three months ended December 31, 2023. Cash used for financing activities was for payment of deferred financing fees.

Liquidity, Working Capital and Management's Plan

As of December 31, 2024, the Company had unrestricted cash of $3,740,043, compared to unrestricted cash of $3,574,215 as of September 30, 2024. As of December 31, 2024, we had working capital of $4,412,740, compared to working capital of $3,739,192 as of September 30, 2024. This increase in working capital of $673,548 is principally due to an increase in cash, accounts receivable and inventory, partially offset by an increase in accounts payable.

On December 21, 2020, Conrent and the Company signed an amendment to the Amended Facility Agreement which extended the maturity date of the Amended Facility Agreement to July 1, 2024 ("*Amended Facility*"), capitalized the accrued and unpaid interest, increasing the outstanding principal amount and reduced the interest rate of the Amended Facility from 8% to 4%. On April 26, 2023, the Company and Conrent entered into another amendment to the facility agreement (the "*Amendment*") originally executed by and between the parties on December 30, 2013 and amended multiple times (the "*Amended Facility Agreement*"). The latest Amendment: (i) extended the maturity date from July 1, 2024, to July 1, 2027; (ii) amended the applicable interest rate resulting in an escalating interest rate as follows: 4% through June 30, 2024, 5% through June 30, 2025, 5.5% through June 30, 2026, and 6% through the maturity date and (iii) removed section 7.3 "*Change of Control*" of the Amended Facility Agreement. In return, the Company agreed to pay certain fees to Conrent. As of December 31, 2024, $42,864,000 of principal and $1,095,413 of interest was owed to Conrent.

During the fiscal year ended September 30, 2021, the Company borrowed approximately $1.95 million through six notes payable to fund the construction of monitoring centers in Chile required by our new contract. Five of the six notes have matured and the remaining note was sold with our Chile subsidiary in the first quarter of fiscal 2025. This remaining note payable was included in liabilities held for sale on the Consolidated Balance Sheet at September 30, 2024. No additional funds were borrowed during the three months ended December 31, 2024 and 2023.

Off-Balance Sheet Financial Arrangements

The Company has not entered any transactions with unconsolidated entities whereby the Company has financial guarantees, derivative instruments, or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation that provides financing, liquidity, market risk, or credit risk support to the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company footprint extends to several countries outside the United States, and we intend to continue to examine international opportunities. As a result, our revenue and results of operations are affected by fluctuations in currency exchange rates, interest rates, transfer pricing changes, taxes and other uncertainties inherent in doing business in more than one currency. In addition, our operations are exposed to risks that are associated with changes in social, political and economic conditions in the foreign countries in which we operate, including changes in the laws and policies that govern foreign investment, as well as, to a lesser extent, changes in United States laws and regulations relating to foreign trade and investment.

Foreign Currency Risks

We had $485,173 and $1,515,051 in foreign currency revenue from sources outside of the United States for the three months ended December 31, 2024 and 2023, respectively. Our foreign currency revenue was made up of sales in our Chile subsidiary prior to the sale in the first quarter of fiscal 2025. We made and received payments in a foreign currency during the periods indicated, and have intercompany loans with foreign subsidiaries, which resulted in a foreign exchange loss of ($1,499,262) and foreign exchange gain of $538,945 in the three months ended December 31, 2024 and 2023, respectively. Fluctuations in the exchange loss or gain in any given period are due to the strengthening or weakening of the U.S. dollar against the Chilean Peso, Canadian dollar, and New Israeli Shekel. Changes in currency exchange rates affect the relative prices at which we sell our products and purchase goods and services. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations, or financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) to ensure that material information relating to the Company is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2024, was completed pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective and designed to provide reasonable assurance that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms as of December 31, 2024.

Changes in Internal Controls

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There was no change in our internal control over financial reporting during the quarter ended December 31, 2024, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of nearly all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. Other than as set forth below, there are no additional pending or threatened legal proceedings at this time.

SecureAlert, Inc. v. Federal Government of Mexico (Department of the Interior). On March 24, 2017, SecureAlert Inc. (a predecessor entity to Track Group, Inc. or the Company) filed a complaint as the Plaintiff before the Federal Administrative Tribunal, asserting the failure by defendants to pay claimant amounts agreed to, and due under, the Pluri Annual Contract for the Rendering of Monitoring Services of Internees, through Electric Bracelets, in the Islas Marias Penitentiary Complex dated July 15, 2011. Although preliminary rulings have been unfavorable to the Company, the Company's counsel continues to review its remaining claims which are upwards of $4.0 million. Based upon the fee arrangement the Company has with its counsel, we anticipate the future liabilities attributable to legal expense will be minimal.

Commonwealth of Puerto Rico, through its Trustees v. International Surveillance Services Corporation. On January 23, 2020, the Company was served with a summons for an Adversary Action pending against International Surveillance Services Corporation ("*ISS*"), a subsidiary of the Company, now known as Track Group – Puerto Rico Inc., in the United States District Court for the District of Puerto Rico seeking to recover allegedly fraudulent transfers and to disallow claims pursuant to United States Bankruptcy and Puerto Rican law. The allegations stem from payments made to ISS between 2014 and 2017, which the Company believes were properly made in accordance with a contract between ISS and the government of Puerto Rico, through the Oficina de Servicios con Antelacion a Juicio, originally signed in 2011. The Company is confident that all payments it received were earned and due under applicable law and produced documentation supporting its position in an informal document exchange with the Commonwealth on July 6, 2020. At this time, the case remains stayed by Court order. The Company remains confident in its position and no accrual for a potential loss has been made, after consultation with legal counsel.

Kevin Barnes v. Track Group, Inc., et. al. On December 28, 2023, the Company was served with a second amended complaint filed in the Circuit Court of Cook County, Illinois naming the Company and alleging strict liability and negligence against the Company and other defendants related to alleged injuries sustained by Barnes from an electronic monitoring device. The Company disputes Barnes' claims and will defend the case vigorously. The Company remains confident in its position and no accrual for a potential loss has been made, after consultation with legal counsel.

Item 1A. Risk Factors

Our results of operations and financial condition are subject to numerous risks and uncertainties described in our Annual Report on Form 10-K for our fiscal year ended September 30, 2024, filed on December 23, 2024. You should carefully consider these risk factors in conjunction with the other information contained in this Quarterly Report and other reports we file with the SEC. Should any of these risks materialize or deteriorate further, our business, financial condition and future prospects could be negatively impacted.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Title of Document
31(i)	Certification of Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31(ii)	Certification of Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certifications under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) (filed herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Track Group, Inc.

Date: February 7, 2025

By: /s/ Derek Cassell
Derek Cassell, Chief Executive Officer
(Principal Executive Officer)

Date: February 7, 2025

By: /s/ James A. Berg
James A. Berg, Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31(i)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Derek Cassell, Chief Executive Officer and Principal Executive Officer, of Track Group, Inc. (the "*Company*"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of Track Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent three months (the registrant's fourth three months in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2025

By: */s/ Derek Cassell*
Derek Cassell
Chief Executive Officer and Principal Executive Officer

EXHIBIT 31(ii)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James A. Berg, Chief Financial Officer, Principal Financial and Accounting Officer, of Track Group, Inc. (the "*Company*"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of Track Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2025

By: */s/ James A. Berg*
James A. Berg
Chief Financial Officer, Principal Financial and
Accounting Officer

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Track Group, Inc. on Form 10-Q for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), Derek Cassell, Chief Executive Officer (Principal Executive Officer), and James A. Berg, Chief Financial Officer (Principal Financial and Accounting Officer), of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: */s/ Derek Cassell*
Derek Cassell
Chief Executive Officer
(Principal Executive Officer)

By: */s/ James A. Berg*
James A. Berg
Chief Financial Officer
(Principal Financial and Accounting
Officer)

Date: February 7, 2025

This certification accompanies each Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.