

**GATEKEEPER SYSTEMS INC.
MANAGEMENTS DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2016**

General

This Management's Discussion and Analysis ("MD&A") of Gatekeeper Systems Inc. ("Gatekeeper," "GSI," or the "Company") is dated July 11, 2016 and provides an analysis of Gatekeeper's financial results for three and nine months ended May 31, 2016 ("F2016-Q3") compared to the three and nine months ended May 31, 2015 ("F2015-Q3").

The following information should be read in conjunction with the Company's May 31, 2016 unaudited condensed interim consolidated financial statements with accompanying notes ("F2016-Q3 Interim F/S") which have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and the Company's audited consolidated financial statements with accompanying notes and related MD&A for the fiscal year ended August 31, 2015 ("F2015") which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The F2016-Q3 interim financial statements follow the same accounting policies and methods of computation as compared with the most recent fiscal financial statements.

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

All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR website at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

Description of Business

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

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

Gatekeeper provides innovative, end-to-end high definition surveillance solutions for mobile applications including body cameras, police vehicles, school buses, transit buses, transport vehicles, military aircraft and coast guard patrol vessels.

Under Part 1 of National Instrument 51-102F1, following a reverse takeover, although the RTO acquiree (Gatekeeper) is the reporting issuer, the financial statements are those of the RTO acquirer (GSI). Those consolidated financial statements must be prepared and filed as if the RTO acquirer (GSI) has always been the reporting issuer.

As a result, this MD&A and the related audited consolidated financial statements are a continuation of the MD&As and financial statements of Gatekeeper with the comparative information being that of GSI.

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

Selected Financial Information

The following sets out selected financial information from the Company's period indicated and are derived from the Company's condensed interim consolidated financial statements. Users of this information should read the following in conjunction with those statements thereto.

	Three months ended		%	Nine months ended		%
	May 31, 2016	May 31, 2015	change	May 31, 2016	May 31, 2015	change
Revenue	\$ 3,103,333	\$ 1,455,537	113%	\$ 5,784,915	\$ 3,475,564	66%
Cost of Sales	\$ 1,561,893	\$ 831,626	88%	\$ 2,903,812	\$ 1,951,674	49%
Gross Profit	\$ 1,541,440	\$ 623,911	147%	\$ 2,881,103	\$ 1,523,890	89%
Expenses	\$ 1,035,642	\$ 842,549	23%	\$ 2,951,357	\$ 2,480,327	19%
Operating Income (Loss)	\$ 505,798	\$ (216,638)	(333%)	\$ (70,254)	\$ (956,437)	(93%)
Net Income (Loss) for the period	\$ 322,078	\$ (215,984)	(249%)	\$ (189,145)	\$ (889,303)	(79%)
Earnings (Loss) per share –						
Basic	\$ 0.01	\$ (0.01)		\$ 0.00	\$ (0.02)	
Diluted	\$ 0.01	\$ (0.01)		\$ 0.00	\$ (0.02)	
	May 31, 2016	May 31, 2015		May 31, 2016	May 31, 2015	
Total Assets	\$ 3,362,720	\$ 1,753,296		\$ 3,362,720	\$ 1,753,296	
Total Liabilities	\$ 922,218	\$ 1,031,458		\$ 922,218	\$ 1,031,458	
Total Shareholders' Equity	\$ 2,440,502	\$ 721,838		\$ 2,440,502	\$ 721,838	

Overview

Gatekeeper Systems Inc.'s (the "Company" or "Gatekeeper" or "we" or "our") mission is to protect children, critical assets and provide a safe, secure world by providing high definition imaging systems for mobile markets. While the majority of sales are in the school bus market, the company's products are scalable for transit buses, law enforcement vehicles and officers, aircraft, taxis and general fleet vehicles, maritime applications including coast guard patrol boats and navy vessels, as well as homeland security and defense applications including special operations.

A key component of our core strategy is conducting research and development activities to develop platform as a service offerings to our customers. We believe that delivering superior products by way of integrating third party software and hardware offerings will deliver value propositions that meet our customer's requirements and drive future growth. We believe there is significant value in the data our mobile devices collect and part of our core strategy is to continue to evolve our software applications for managing that data. This is a key component to the company's long term strategy to transition parts of our business to software as a service revenue model.

Our products are sold directly to end user customers and through a network of distributors and system integrators who have relationships with customers in multiple mobile markets. Our main focus is on the North American market with widening interest from international partners. Gatekeeper continues to further develop military projects by way of its status with United States Air Force, Boeing Aerospace and Lockheed Martin.

The Gatekeeper brand is a leader in K-12 (Kindergarten to Grade 12) market which includes approximately 550,000 school buses with an average of 25,000 to 50,000 school buses manufactured each year. Gatekeeper technology platforms are used for recording incidents inside and outside school buses. For recording inside school buses the platform integrates high definition video with GPS, voice, live streaming, WIFI and vehicle sensors recorded to an onboard military grade high definition digital video recorder. Our software synchronizes video, date and time, voice,

vehicle sensors such as activation of stop arms, signals, brake and warning lights, door switches or other electronic sensors. The synchronized data is then displayed on Gatekeeper's video management software allowing customers to find, save and share evidence quickly and easily. The software provides a blurring feature that allows end user to protect the privacy of individuals not related to the incident by covering up faces during the video clipping process. The result is the company's video management software being used as an effective tool help end users better manage incidents with speed and accuracy saving significant time and money.

The company's high definition platform records up to twelve cameras all of which are displayed on the company's video management software. Command and control centers can be set up giving end users the ability to download video over WIFI or live streaming. Integrated GPS with video provides a total operating picture of where the buses are and what is happening on each bus in real time. Law enforcement can be given permission to access live video from each bus allowing them to react quickly to critical incidents or suspicious behavior that could put children's lives at risk.

Gatekeeper's high definition platform is also used to protect children from deadly stop arm violations which occur when buses are stopped, the stop arm is engaged and children are getting on or off the school bus. Gatekeeper's high speed license plate reading system attaches to the outside of the school bus and records evidence required to prosecute stop arm violators. Recent legislation in some States and Provinces allow authorities to use video from a school bus video system as evidence to issue a citation. The company's program is called "STUDENT PROTECTOR" and includes a cloud base software application trade named TIM™ (Ticket Infraction Management) system that connects to the vehicle owner database and manages the entire citation cycle. The STUDENT PROTECTOR™ program was designed to reduce dangerous activity and save children's lives. The average citation is estimated between \$250 USD and \$500 USD. It is estimated that over 13 million stop arm violations occurred in 2015 in the United States. One of Gatekeepers business models is to provide the system free of charge to the school district and share revenue from citations with the school districts and counties. The company estimates its technology to be applicable to other video enforcement applications as cities and counties become aware of the capability of its technology to share revenue while increasing safety and reducing cost of operations. The company's video enforcement platform is designed as a tool to allow counties and cities to pay for the technology from the citations collected from the actual vehicles involved in the incident rather than from tax payers who are not breaking the law.

Gatekeeper high definition mobile video platform is also being expanded into transit, transport and law enforcement. Forward facing cameras provide the high definition imagery required to determine cause of an accident. This information can be used to protect drivers or settle legal disputes based on actual evidence before costs escalate. Video integrated with GPS, time and date and other vehicle sensors are becoming more common to provide evidence as well as valuable information to streamline operations.

With these technologies, our clients are armed with the right tools to detect, analyze, and respond to safety and security threats anytime.

The Company's products can be sold independently or as a total end-to-end solution including the following components and/or features:

- High definition ("HD") Body Worn Cameras;
- High resolution day/night cameras designed for extreme rugged environments;
- The industry's first high speed infrared license plate reading sensor system for school buses;
- The industry's broadest range of mobile digital recording devices ranging from 4 to 16 cameras;
- Live or recorded GPS tracking;
- Voice recording on each camera;
- Wireless Downloading – WiFi and Live Streaming;
- G4 Incident Management Software synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement; and
- TIM™ (Traffic Infraction Management) cloud base software application for managing citations from school bus stop arm violations and photo enforcement systems.

The Company's products can be applied to law enforcement, maritime, homeland security and defense markets. Under the brand Viperfish®, digital recorders are built to meet various military specifications and are used to record video and metadata from forward looking infrared cameras, radar and high definition cameras. Post-mission analysis software is used to analyze tactical operations recorded to the Viperfish® recorders. The Company's Viperfish® high definition airborne digital video recorders are currently being used by the United States Air Force ("USAF") to record long range sensors used on the AC-130 Gunships, Sea King helicopters in Canada, and French Navy marine vessels. Under the brand XFORCE™ ("XTREME FORWARD LOOKING OPTICAL RECONNAISSANCE SYSTEM"), Gatekeeper recently

launched its High Definition Body Worn Camera in an effort to provide law enforcement and security personnel with a device that captures video and audio of actual events during officers' daily interaction with the public, while safeguarding both police officers and the citizens they are trying to protect.

The XFORCE™ HD Body Worn Camera is designed as a light-weight rugged imaging device that attaches to an officers' vest. It records high definition video, audio and other metadata which allow law enforcement agencies to search for past video by time and date or officer identification.

The Company is implementing sales strategies through direct sales and partner programs with system integrators and dealers and will continue to expand this distribution model. The Company's certified solution providers are trained by the Company to handle after sales support and installation. Sales and system specialist personnel provide support to dealers and introduce the Company's products to various vertical markets.

Overall Performance

The Company was off to a consistent start for the third quarter of fiscal 2016. Revenues for the three months ended May 31, 2016 improved to \$3,103,333 from \$1,455,537 in the same quarter in the prior year, representing an increase of 113%. Cost of sales for the three months ended May 31, 2016 was \$1,561,893 compared to \$831,626 during the same quarter in the prior year, representing an 88% increase. Gross margins for the three months ended May 31, 2016 improved to 50%, compared to 43% in same quarter in the prior year, representing a 16% gross profit margin increase. The increase was mainly due to the sales mix of distributor and direct sales. After approximately two years of cost reductions due to cash management measures, the Company's sales pipeline for interior mobile security camera systems are showing signs of improvement and experiencing a positive growth trend. The Company's sales backorder continues to grow, along with the level of interest in the Company's mobile video technology for the public transportation markets, law enforcement and private security agencies. The Company is pursuing additional third party software solution and service providers as potential partners for creating joint products and software solutions. The Company is pleased with the increase in inquiries, requests for tests, and evaluation programs for its stop-arm video enforcement applications.

In order to continue to meet customer demand and fulfill projected growing order backlog, the Company closed a credit facility with a prominent United States lender for up to \$1.5 million USD. The non-dilutive financing provides the company with working capital to fund inventory and operating expenses in a timely manner. The Company is confident that production can be ramped up to meet expected demand.

Overall operating expenses were \$1,035,642 for the three months ended May 31, 2016 compared to \$842,549 during the same quarter in the prior year, representing a 23% increase. The majority of the operating expense increase was in the areas of research and development expenses.

For the three months ended May 31, 2016, operating expenses have stayed within management's expectations and operating budgets. Selling and marketing expenses ("S&M") during the three months ended May 31, 2016 was \$414,722 compared to \$375,153 during the same quarter in the prior year, representing an 11% increase. S&M expenses are comprised of sales salaries, commissions and direct selling expenses. We expect to continue current levels of sales and marketing expenditures or increase them as required as we work to build out Gatekeeper's brand and awareness to increase sales.

General and administrative ("G&A") expenses during the three months ended May 31, 2016 was \$406,055 compared to \$331,351 during the same quarter in the prior year, representing a 23% increase. The increase to G&A related to the higher investor relations costs, consulting fees, and public company expenses for legal, accounting and regulatory compliance.

During the year ended August 31, 2015 and the nine months ended May 31, 2016, the Company implemented new sales and marketing strategies to strengthen Gatekeeper's brand awareness. The Company re-launched our website to increase online presence to showcase Gatekeeper's full suite of products and software applications for the mobile security marketplace. The Company continued to invest resources towards ongoing business development to grow the sales funnel. Such sales and marketing expenses include travelling, attending and participating in targeted industry tradeshows and exhibitions.

Research and development ("R&D") expenses during the three months ended May 31, 2016 was \$214,865, compared to \$136,045 during the third quarter of fiscal 2015, representing a 58% increase. R&D expenses are net of Scientific, Research and Experimental Development ("SR&ED") tax refund accrued. Moving forward, the Company will continue R&D to accelerate new product features in its core business.

Overall, the Company's net loss position for the third quarter of fiscal 2016 was significantly decreased by 249% or \$538,062. During the three months ended May 31, 2016 the net income was \$322,078, compared to a net loss of \$215,984 during the same quarter in the prior year. Excluding non-cash charges of \$8,842 of depreciation and \$992 of share-based payment charges, adjusted net income was \$331,912 during the quarter ended May 31, 2016, compared to an adjusted net loss of \$158,329 during the third quarter of fiscal 2015. The term "adjusted net income (loss)" refers to net income (loss) before non-cash charges such as depreciation, inventory write-down, and share-based payment expenses. Management believes that adjusted net loss is a useful measure as it provides an indication of operational results of the business from a cash perspective. Adjusted net loss does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Accordingly, investors are cautioned that adjusted net loss should be construed as an alternative to operating loss or net loss determined in accordance with IFRS as an indicator of the Company's financial performance or a measure of its liquidity and cash flows.

As part of the Company's corporate finance strategy, Gatekeeper successfully raised \$2,376,425 from over -subscribed private placements during the year ended August 31, 2015. The company will continue to assess capital market activity, but believes with an appropriate debt facility for inventory and general operating expenses to offset timing of the receipt of its receivables, equity investment is not required unless there is a specific event. The objective for near term capital raises is by way of non-dilutive means to continue to build sales and distribution, expand business development, product and software development, and facilitate working capital needs.

Selected Quarterly Information

Key financial information for each quarter of the 2016 fiscal year as well as the last five quarters spanning the two most recently preceding fiscal years is summarized as follows, reported in Canadian dollars:

	F2014-Q4 Aug 31 2014	F2015-Q1 Nov 30 2014	F2015-Q2 Feb 28 2015	F2015-Q3 May 31 2015	F2015-Q4 Aug 31 2015	F2016-Q1 Nov 30 2015	F2016-Q2 Feb 29 2016	F2016-Q3 May 31 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,198,409	931,855	1,087,172	1,455,537	2,468,209	955,574	1,726,008	3,103,333
Gross Profit	380,504	365,846	534,133	623,911	1,168,984	436,967	902,696	1,541,440
Expenses	689,249	828,858	808,920	842,549	1,259,855	1,034,589	881,126	1,035,642
Net Income (Loss)	(333,824)	(435,880)	(237,439)	(215,984)	(31,493)	(577,247)	66,024	322,078
EPS (Basic)	(0.01)	(0.01)	(0.01)	(0.01)	0.00	(0.01)	0.00	0.01
EPS (Diluted)	(0.01)	(0.01)	(0.01)	(0.01)	0.00	(0.01)	0.00	0.01
Assets	1,636,020	1,219,484	1,287,194	1,753,296	3,322,309	2,433,963	3,003,596	3,362,720
Liabilities	450,120	451,432	697,495	1,031,458	759,839	444,377	886,164	922,218
Shareholders' Equity	1,185,900	768,052	776,114	721,838	2,562,470	1,989,586	2,117,432	2,440,502

Discussion of Third Quarter Operations

Revenue

Revenue for the third quarter of fiscal 2016 was \$3,103,333, compared to \$1,455,537 during the comparative period of the prior year, representing a 113% increase. The Company operates in one segment in which it develops, manufactures, and markets mobile video security systems for the school bus and public transportation markets.

The current quarter's growth is reflective of greater customer adoption in existing markets, sale of new products in new market segments, and the attraction of new distribution partners.

Gross Margins

Gross margins for the Company's third quarter, three months ended May 31, 2016, were 50%, compared to 43% during the comparative period of the prior year. The cost of sales comprise mainly of materials and components, manufacturing labour, inventory write-off, warranty expenses, freight and shipping, and other selling costs. The increase in gross margins is due to the product mix of sales, and scaling of purchasing and production efficiencies.

Operating Expenses

Overall operating expenses were \$1,035,642 for the three months ended May 31, 2016, compared to \$842,549 during the same quarter in the prior year, representing a 23% increase. The majority of the increase was in the areas of research and development expenses.

During the three months ended May 31, 2016, General and Administrative ("G&A") expenses were \$406,055, compared to \$331,351 during the three months May 31, 2015, representing a 23% increase. The increase to G&A related to the higher investor relations costs, consulting fees, and public company expenses for legal, accounting and regulatory compliance.

For the three months ended May 31, 2016, sales and marketing expenses were \$414,722, compared to \$375,153 during the same quarter in the prior year, representing an 11% increase. Selling and marketing ("S&M") expenses are comprised of sales salaries and commissions and direct selling expenses. The increase in S&M expenses is reasonable and sales and marketing activities are operating at the same level as prior year. Percentage of sales and marketing expenses was 13% for the third quarter as a percentage against sales revenue compared to 26% for the same period last year. For the nine months ended May 31, 2016 the percentage of sales and marketing expenses against sales revenue was 20% and 32% during the same period in 2015. G&A was 13% for the third quarter and 23% for the comparative period last year. For the nine months ended May 31, 2016 the percentage was 20% and 28% for same period in 2015. R&D expenses for third quarter was 7% compared to 9% for the third quarter 2015. For the nine months ended May 31, 2016 the percentage of R&D against sales revenue was 11% compared to 12% in 2015.

Research and development ("R&D") expenses were \$214,865 during the three months ended May 31, 2016, compared to \$136,045 during the same period in prior fiscal year, representing a 58% increase. The Company expects to expand R&D to enhance various technological features of several mobile video security products lines.

Outlook

According to IHS Inc., a global information and research provider, the global market for video surveillance equipment was worth an estimated USD\$15 billion by the end of 2014, up from USD\$13.5 billion in 2013. By 2018, worldwide revenue will reach a projected USD\$23.6 billion, equivalent to a 5-year compound annual growth rate of 12%¹. There are many niche segments within the surveillance market - including mobile video for school buses, transit buses, trains, law enforcement personnel and vehicles, general fleet vehicles, vessels and aircraft. The global mobile video market that Gatekeeper is focused on is estimated at USD\$1.2 billion excluding body-worn cameras, aircraft and marine vessels and portable markets such as automated video enforcement technology for safe zones in and around schools, parks and road construction.

Unlike the fixed site surveillance market, which is in the process of transitioning from analog to IP technology, the mobile market is slower to transition, but when it does there will be significant opportunities for replacing existing analog cameras with high definition cameras. The Company projects new niche market growth over the next three years and has positioned its technology platform to execute on multiple product launches to satisfy safety and security requirements of these new markets. The Company believes these new niche markets have significant revenue upside to scale with its current revenue model.

Within the school bus, transit and law enforcement market segments, most companies provide end-to-end product solutions including video management software, cameras, digital video recorders and all other miscellaneous equipment that complete the system. In the marine vessel and aircraft markets segments, there are companies that provide cameras, digital recorders and video management software. The Company provides a full suite of mobile security products and end-to-end solutions for its school bus, law enforcement and transit customers while providing high resolution recorders and post mission analysis software for customers such as the United States Air Force. In homeland security applications, such as the Sea King Helicopters and the AC 130 Gunships, the Company's digital video recorders ("DVRs") are utilized to record video and other sensory data, from high performance aircraft cameras, for live or post mission review using the Company's video management software.

¹ NASDPTS 2013 Study

Gatekeeper Growth Strategy

The Company's goal is to become the market leader in the mobile video segment, by providing our customers with superior products through world class innovation. Our mission is to grow by having our feet on the ground and fully understanding our customer's needs.

The Company's current product line allows for expansion into multiple niches whereas the typical mobile video camera configuration is limited to four cameras which limit their ability to expand. The Company provides its customers with the ability to use its G4 Incident Management Software with its mobile video recorders, which can have 4, 8 or 12 camera systems on a single vehicle. G4 software allows end users to share incidents quickly across hundreds of users without having to download software at each desktop. Additionally, the G4 software can connect and monitor any recorder over wireless networks anywhere in the world. This provides live streaming video for our customers to deal with emergency situations or monitor the health of their assets and cargo from remote locations. The G4 software is also capable of fusing fixed site surveillance cameras with its mobile video camera systems providing one common operating picture.

Approximately 90% of the Company's sales are from the United States. Canadian interest is growing with more interest in the company's technology for both inside and outside buses and other vehicles.

In the United States, recent independent studies project over 15 million stop arm violations occurred in 2013¹. In the USA, the average fine for a stop arm violation range \$250 to \$500USD. It is illegal in every state in the USA and in every province in Canada to pass a school bus while the bus is stopped and the stop arm is engaged. Recent deaths and near misses of children while loading and offloading school buses have driven new legislation that allows authorities to use video recording from the Company's license plate reading system as evidence to issue tickets. The Company recognized this new trend over a year ago and initiated the development of a cloud-based software application that adds automatic license plate recognition in the Cloud, integrates with County Vehicle Databases, in the USA, and manages the entire ticketing process. The Company is currently working on many projects, at various stages, and is in discussion with numerous law enforcement agencies to define workflow and revenue sharing structures generated from the tickets issued. The Company is experiencing growing inquiries, requests for tests, and evaluation programs for its stop-arm video enforcement application and has currently installed and launched pilot programs for approximately 16 school districts. The company is anticipating revenue from its stop arm camera business in 2015-16 fiscal year.

International

The Company's main focus over the next 24 months will be the North American market but we plan to introduce the technology in some select countries outside of North America by way of strategic partnerships. The need to protect children in and around school buses as well as increase safety on highways is a global concern. New partnerships may be added to expand our technology to other select countries.

Marketing and Brand Awareness

The Company has participated in numerous trade shows in various countries that have led to many meetings and presentations with potential customers. The recent launch of a new website has repurposed the Company's Gatekeeper brand in alignment with the introduction of our new products. The Company has recently adopted social media to better connect and interact with the Company's customers and prospects. The Company has launched a new public relations campaign sending out case studies, press and product releases. As a result, prospects across North America are able to learn more about successful projects and new technology launches by the Company.

Product Development

The Company revamped its product development and go-to-market strategy during 2013 – 2014 which has resulted in reducing the total time to market for new products and generally increased the gross margin on these products, before implementation and project management costs.

The Company synergizes in-house product management and software development engineering with outsourced hardware design partners. The heavy lifting or coding for large scale software development projects such as Gatekeeper's cloud based software application is outsourced to specific teams. The Company retains full ownership and management of the intellectual property. This strategy has allowed the Company to reduce the time to market by

as much as six to twelve months, as is the case with the Cloud Based Software Application for automating ticketing for stop arm violations.

As a result, during the year ended 2014, the Company successfully introduced its first high definition mobile video system to a number of customers on the west and east coasts. The following new products were developed and launched in the fall of 2015 at national trade shows:

- High Definition Mobile Video Systems – complete family of high definition systems designed to integrate with existing analog cameras already installed and connect additional high definitions cameras. The systems include five camera, six camera and 12 camera systems.
- Body cameras – the company developed its version 2 body camera with belt clip and lapel camera for easier installation. Version 2 of DOKNGO and basic evidence management software was launched in the fall of 2015 at the International Chiefs of Police conference in Chicago.
- High definition in-car video system – the company began shipping a new high definition forward facing camera for law enforcement vehicles in the second quarter of 2016 fiscal year. The new camera integrates with its new high definition digital video recorders.
- High definition airborne digital recorder – the company launched a new carry on – carry off high definition airborne digital recorder for aerospace applications that will meet certain military standards including electronic magnetic interference.

During the third quarter the engineering team completed the following:

- TIM™ Private Portal went live and includes the following features:
 - Creation of incidents
 - Review of evidence by police
 - Printing citations
 - Mailing citations
 - Tracking the status of citations
- TIM™ Public Portal for violators to review the evidence of the stop arm violations and pay the fine or request a court date went live.
- In-house Hosting Infrastructure for TIM™ Cloud Based Incident Processing was fully set up. All networking was put in place and the high speed internet was upgraded with multiple IP address capability, redundant fail over and backup systems, providing the company a hosting environment built on a reliable backend infrastructure for the stop arm camera business.
- First stop-arm violation citation was issued in Jones County.
- The result of the above is that the company went live in May 2016 with its Jones County stop arm camera project proving a total incident management solution for evidence capture, approval, citation generation and collections.

Liquidity and Capital Resources

At May 31, 2016, the Company had cash of \$1,735,738 and working capital of \$2,276,793 compared to \$1,165,555 and \$2,463,826, respectively, at August 31, 2015.

Cash provided by operating activities was \$763,607 for the three month period ended May 31, 2016, compared to cash used in operating activities of \$31,788 for the three month period ended May 31, 2015. The increase is attributable to working capital, primarily the timing of receipts of trade receivables, payment of trade payables, which is partially offset by the increase in sales and marketing expenses and public company related costs for the three months ended May 31, 2016.

Cash used in investing activities was \$33,349 for the three months ended May 31, 2016, compared to \$Nil for the three months ended May 31, 2015, which was primarily related to the purchases of school bus stop arm camera and license plate reading systems for its Stop Arm violation ticket revenue sharing arrangements with school districts.

Cash from financing activities was \$303,514 for the three months ended May 31, 2016, compared to \$143,000 for the three months ended May 31, 2015, which was primarily related to the line of credit.

During the nine months ended May 31, 2016, the Company entered into a non-dilutive revolving secured line of credit of up to \$1.5-million (US). Funds will be available to the company under the facility pursuant to an availability formula based on eligible receivables and inventory. The facility has an initial three-year term and is secured by a first charge on the assets of the company and its subsidiaries. As of May 31, 2016, amount payable was \$303,514. In connection to securing the said credit facility, the Company incurred finance costs of \$159,266.

The consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) that are applicable to a going concern which contemplates the realization of asset and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and cash outflow from operations as a result its sales and marketing and business development activities in its core markets. Through these initiatives, the Company has grown its sales opportunity funnel. However, the timing when projects close may be impacted by issues that are outside of the Company’s control and as a result the Company strategy to increase its sales and business development efforts may require ongoing financing.

The Company has a net income of \$322,078 for the three months ended May 31, 2016 (2015 – net loss of \$215,984) and has a working capital of \$2,276,793 at May 31, 2016 (August 31, 2015 – \$2,463,826). The Company had cash of \$1,735,738 at May 31, 2016 (August 31, 2015 – \$1,165,555), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity, which the Company was successful in completing during the year ended August 31, 2015 and prior years. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company has primarily obtained its main source of funding from equity issuances, though it will consider all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or part. There can be no assurance of continued access to finance in the future, and an ability to secure such finance may require the Company to substantially curtail operations and sales and marketing activities.

Contractual Obligations

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

The following table summarizes the current contractual obligations of the Company and associated payment requirements as of May 31, 2016:

Contractual Obligations	2016	2017	2018	2019	Thereafter	Total
Operating leases	\$ 120,254	\$ 120,668	\$ 65,038	\$ 3,659	\$ 3,659	\$ 313,278
Trade and other payables	225,572	-	-	-	-	225,572
Accrued liabilities	391,924	-	-	-	-	391,924
	\$ 737,750	\$ 120,668	\$ 65,038	\$ 3,659	\$ 3,659	\$ 930,774

Capital Structure

As at the date of this MD&A, the Company has 63,373,495 common shares issued and outstanding, nil Class A preferred shares outstanding.

	Common Shares	Class A Preferred Shares
Balance – August 31, 2014	45,078,858	1,801,802
Conversion of Class A preferred shares into common shares	1,801,802	(1,801,802)
Services	250,000	-
Private placement with value assigned to shares and warrants	15,842,835	-
Balance – August 31, 2015	62,973,495	-
Shares issued for services	400,000	-
Balance – May 31, 2016 and July 11, 2016	63,373,495	-

During the nine months ended May 31, 2016, 400,000 common shares were issued to Catch Advisory Group at a price of 15 cents.

During the year ended August 31, 2015, the Company issued common shares as follows:

- (i) On August 13, 2015, the Company has issued 250,000 common shares to Davis Research Corp. at a deemed price of 15 cents, based on the achievement of a certain milestone as specified within the agreement.
- (ii) On July 16 and 28, 2015, the Company closed its non-brokered private placement offerings, by issuing 13,139,501 units, at a price of \$0.15 per unit, for total gross proceeds of \$1,970,925. Share issuance costs include cash commission of \$152,058 and issuance of 880,913 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (iii) On March 5, 2015, the Company closed its third and final tranche its non-brokered private placement offerings, by issuing 953,334 units, at a price of \$0.15 per unit, for total gross proceeds of \$143,000. Share issuance costs include issuance of 57,200 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (iv) On February 5 and 26, 2015, the Company closed its first and second of its non-brokered private placement offerings, by issuing 1,250,000 and 500,000 units, respectively, totaling 1,750,000 units, at a price of \$0.15 per unit, for total gross proceeds of \$262,500. Share issuance costs include agents' commission of \$23,850, legal and regulatory cost of \$8,187, and issuance of 97,800 agents' warrants. Each unit consists of one common share and one half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (v) On September 2, 2014, pursuant to the Qualifying Transaction completed on February 19, 2013, 1,801,802 Class A preferred shares were converted into common shares of the Company.

Stock Options

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

The changes in stock options during the nine months ended May 31, 2016 were as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – August 31, 2014	\$0.24	4,367,000	\$ 440,240
Stock options granted	\$0.19	770,000	67,535
Options forfeited	\$0.25	(775,000)	(73,325)
Balance – August 31, 2015 and May 31, 2016	\$0.24	4,362,000	\$ 434,450

During the year ended August 31, 2015, the Company granted 770,000 (2014 – 2,114,500) incentive stock options to employees, consultants and officers. The options may be exercised within 5 to 10 years from the date of grant at a price ranging from \$0.16 to \$0.24 (2015 – \$0.16 to \$0.24) per share. All outstanding options have vesting periods of up to 2 years (2015 – 2 years).

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of ranging from 0.79% to 1.15% per annum (2015 – 0.79% to 1.15%), an expected life of options ranging from 4 to 8 years (2015 – 4 to 8 years), an expected volatility ranging from 57.34% to 67.17% (2015 – 57.34% to 67.17%), and no expected dividends (2015 – nil).

Share Purchase Warrants

During the year ended August 31, 2014, the Company extended the previous exercise period of the 4,220,000 share purchase warrants for an additional 12 months, to February 19, 2015. The extension of the exercise period was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Company was required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was \$5,041.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 0.40% to 0.61% (2015 – 0.40% to 0.61%), an expected life of 2 years (2015 – 2 years), an expected volatility of 52.25% to 54.12% (2015 – 52.25% to 54.12%), and no expected dividends (2015 – nil). The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

Details regarding warrants issued and outstanding for the nine months ended May 31, 2016 are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2014	\$0.38	10,334,137
Issuance of warrants	\$0.25	8,957,330
Expired	\$0.50	(4,220,000)
Balance – August 31, 2015	\$0.27	15,071,467
Expired	\$0.35	(3,000,537)
Balance – May 31, 2016	\$0.25	12,070,930

The expiry of agents' and share purchase warrants are as follows:

	Exercise price	Number of warrants	Expiry date
Agents' warrants	\$0.25	74,250	July 27, 2016
Share purchase warrants	\$0.25	1,622,500	July 27, 2016
Agents' warrants	\$0.25	98,850	August 13, 2016
Share purchase warrants	\$0.25	1,318,000	August 13, 2016
Agents' warrants	\$0.25	67,800	February 2, 2017
Share purchase warrants	\$0.25	625,000	February 2, 2017
Agents' warrants	\$0.25	30,000	February 26, 2017
Share purchase warrants	\$0.25	250,000	February 26, 2017
Agents' warrants	\$0.25	57,200	March 5, 2017
Share purchase warrants	\$0.25	476,667	March 5, 2017
Agents' warrants	\$0.25	555,606	July 17, 2017
Share purchase warrants	\$0.25	4,270,166	July 17, 2017
Agents' warrants	\$0.25	325,307	July 28, 2017
Share purchase warrants	\$0.25	2,299,584	July 28, 2017
		12,070,930	

Use of Financial Instruments

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

The Company has designated its cash as FVTPL, which is measured at fair value. Trade receivables and other receivables are classified as loans and receivables, which are measured at amortized cost. Trade and other payables are classified as other financial liabilities which are measured at amortized cost.

Financial Risk Management

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

Credit Risk

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

At May 31, 2016, 2% of the Company's accounts receivable balance is over 90 days past due (August 31, 2015 – 2%). The carrying amount of trade and other receivable and due to/from related party as at May 31, 2016 of \$720,251 (August 31, 2015 - \$1,330,647).

Liquidity Risk

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

support its normal operating requirements.

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

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 18. The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at May 31, 2016 and August 31, 2015 are summarized as follows:

	May 31, 2016	August 31, 2015
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 213,713	\$ 327,770
In later than 90 days, not later than one year	6,300	-
	<u>\$ 220,013</u>	<u>\$ 327,770</u>

Interest Rate Risk

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

The Company has no significant exposure at May 31, 2016 to interest rate risk through its financial instruments.

Currency Risk

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

The Company realizes approximately 92% of its sales and makes a significant amount of its purchases in US dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

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

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars as of May 31, 2016 and August 31, 2015:

	May 31, 2016	August 31, 2015
Cash	\$ 1,594,157	\$ 518,773
Restricted cash	111,685	111,989
Trade receivables	528,147	1,184,191
Trade payables	164,157	189,574
	<u>\$ 2,398,146</u>	<u>\$ 2,004,527</u>

Based on the above net exposure at May 31, 2016, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately \$239,815 decrease or increase respectively in both net and comprehensive loss (August 31, 2015 – \$200,453). The Company has not employed any currency hedging programs during the periods ended May 31, 2016 and August 31, 2015.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Related Party Transactions

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

(a) Key Management Personnel Compensation

	Three months ended May 31, 2016		May 31, 2015	Nine months ended May 31, 2016		May 31, 2015
Salaries and short-term benefits	\$	88,626	\$	107,500	\$	254,698
Share-based payment		-		394		-
	\$	88,626	\$	107,894	\$	254,698
					\$	337,128

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

(b) Trade Related Party Transactions

The amounts due to / (from) related parties as at May 31, 2016 and August 31, 2015 are as follows:

	May 31, 2016	August 31, 2015
Chief Executive Officer	\$ (14,350)	\$ 628
Former Chief Financial Officer	Nil	23,333
	\$ (14,350)	\$ 23,961

Amounts due from and to related parties have been included in trade and other receivables and trade and other payables, respectively. In addition, amounts due to the former Chief Financial Officer are non-interest bearing, unsecured and due on demand.

(c) Other Related Party Transactions

On October 1, 2013, the Company entered into an agreement to loan \$43,700 to the Chief Executive Officer of the Company. The terms of the loan is 5 years, maturing October 1, 2018, with interest payable on the unpaid principal, at a variable prescribed interest rate per annum, calculated yearly not in advance. The interest rate used to calculate accrued interest for the year ended August 31, 2015 was 1%. The loan is unsecured and repayable upon written notice given to the Company.

At May 31, 2016, certain members of senior management have 1,554,816 common shares of the Company released from escrow.

Critical Accounting Estimates

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

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

Allowances for Doubtful Accounts

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

Inventory Valuation

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

Determination of Functional Currency

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

Accounting Standards and Amendments Issued but Not Yet Adopted

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective during the period ended May 31, 2016:

IFRS 9 'Financial Instruments: Classification and Measurement' was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 Financial Instruments – Recognition and measurement for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). The effective date of these amendments has not yet been determined. The Company has not yet assessed the impact of the adoption of IFRS 9 on its financial performance or its financial position.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its financial performance or its financial condition.

Risk Factors

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

Capitalization and Commercial Viability

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

History of Operating Losses

The Company has an accumulated deficit since its incorporation through May 31, 2016 of \$10,143,029. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada and the United States and, like all global businesses, it has been subject to the impact of the current global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions have resulted in reduced consumer and government spending and have impacted the Company's financial results. Should these conditions continue to prevail, there will be further pressure on the Company's financial results.

Key Employees

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

Supply Chain

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

New Products and Technology Change Risk

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

New Market Risk

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

Competition

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

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

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

Ability to Maintain Profitability and Manage Growth

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

Intellectual Property Risks

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

Technological Change, New Products and Standards

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

Intellectual Property Risks

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

Reliance on Information Systems and Technology

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

Reliance on Third Party Licenses

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

Effectiveness and Efficiency of Sales and Marketing Expenditures

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

Product Liability

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

Risk Associated with International Operations

Management of the Company believes that its future growth and profitability opportunities will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services. The risk associated

with currency fluctuations comprise mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Goodwill

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

Key Employees

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

Expansion

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

Available Workforce

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

Possible Adverse Effect of Future Government Regulations

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

Disclosure Controls and Procedures

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

The CEO and CFO have evaluated and concluded that the Company's disclosure controls and procedures are adequate and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiary, would have been known to them as of the three months ended May 31, 2016.

As well, as of the end of the three months ended May 31, 2016, the CEO and CFO have evaluated and concluded that the Company's internal controls over financial reporting have been adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems,

although determined to be adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During the three months ended May 31, 2016, there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.