



## INVESTORS NEWS

FOR IMMEDIATE RELEASE

# Gatekeeper Systems Announces Second Quarter 2014 Financial Results

**Abbotsford, BC April 28, 2014 - Gatekeeper Systems Inc. (formerly Indigo Sky Capital Corp.) ('Gatekeeper' or the 'Company') (TSX.V: GSI)** announces that it has filed its condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis for the second quarter February 28, 2014, available for viewing on [www.sedar.com](http://www.sedar.com). All figures are expressed in Canadian dollars unless otherwise stated.

### Second Quarter 2014 Financial Highlights

- Revenues for the three and six months ended February 28, 2014 were \$514,928 and \$2,088,727, respectively, compared to \$828,868 and \$1,618,460, respectively, during the same periods in fiscal 2013. Second quarter revenues declined 38% compared to the second fiscal quarter of 2014, however year-to-date revenues are 29% higher to the comparable period.
- Gross margins for the three and six months ended February 28, 2014 were 44% and 43%, respectively, compared to 25% and 29%, respectively, during the same periods in fiscal 2013.
- Net loss for the three and six months ended February 28, 2014 was \$567,582, and \$822,026, respectively, compared to \$1,181,283, and \$1,449,175, respectively, during the same periods in fiscal 2013.
- Net loss for the second quarter of fiscal 2014 was \$567,582, compared to \$822,026 during the second quarter of fiscal 2013.
- Gatekeeper expands XFORCE™ product line with new high definition body worn recorder and camera system for the global law enforcement market.

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446 HARRISON STREET  
SUMAS, WA 98295  
USA

CANADA OPERATIONS  
#301 31127 WHEEL AVENUE  
ABBOTSFORD, B.C. V2T 6H1  
CANADA

TEL: 1.888.666.4833  
1.604.864.6187  
FAX: 1.604.864.8490  
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- Notable sales, implementation, expansions, during the quarter include: FLIR Systems, a world leader in the design, manufacture, and marketing of infrared sensor systems, began taking delivery of Viperfish® Digital Marine Recorders; completion of phase one installation of stop arm camera systems on Cook Illinois Corporation school buses in Chicago, Illinois; the State of North Carolina has approved Gatekeeper High Speed License Plate Reading System for State Funding Support for School Districts; and Mid Columbia Bus, one of the largest school bus contractors in the United States west coast, has approved Gatekeeper's solid state video systems.

"Our second quarter is traditionally our slowest revenue quarter each year, however this year in particular, a significant part of our customer base in the United States northeast and east coast regions have been hampered with extreme winter weather conditions. These conditions have led many school districts in the regions to delay previously planned new systems implementations", said Gatekeeper's President and Chief Executive Officer Doug Dymant. The Company continues to build its sales funnel with its core product lines, as well stop arm camera projects. Gatekeeper's stop arm camera technology received major press coverage through news features on ABC News Chicago, Illinois and Fox News Salt Lake City, Utah. Doug Dymant continues, "Gatekeeper's high speed license plate reading system is proving to provide reliable imaging and we are optimistic that the business model of using our Ticket Infraction Management software ("TIMS"), combined with license plate reading technology for the school bus market will be successful this year." During the quarter, Gatekeeper launched a new XFORCE™ product line, PR-104, a high definition body worn recorder and camera system, for the law enforcement market. With Gatekeeper's wearable device, law enforcement will now have high definition video and audio capability for providing evidence from crime scenes, highway patrol or specific field operations. Gatekeeper estimates approximately 30 million law enforcement officers and security personal are active globally.

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## Summary of Financial Results and Information

(Unaudited)	Three months ended		Six months ended	
	February 28, 2014	February 28, 2013	February 28, 2014	February 28, 2013
Revenue	514,928	829,868	2,088,727	1,618,460
Cost of Sales	289,343	625,007	1,187,047	1,154,328
Gross Profit	225,585	204,861	901,680	464,132
Operating Expenses	831,149	696,032	1,747,978	1,209,132
Operating Loss	(605,564)	(491,171)	(846,298)	(745,000)
Net Loss for the period	(567,582)	(1,181,283)	(822,026)	(1,449,175)
Loss per share – Basic and Diluted	(\$0.02)	(\$0.07)	(\$0.03)	(\$0.09)

### Revenues

Revenues for the three and six month period ended February 28, 2014 were \$515,000, and \$2,089,000, respectively, compared to \$830,000 and \$1,618,000, respectively, during the same periods in fiscal 2013. Revenues during the second quarter of fiscal 2014 declined 28% as a result of extreme winter weather conditions throughout most regions of the United States forced school districts to shut down or operate with limited staff causing delays in a significant amount of sales activities. In addition, numerous orders were delayed because of timing of school district board meetings and project approval delays. Year-to-date revenues for the nine month period are 29% higher than the same period in fiscal 2013. The increasing trend is a direct result of the Company's sales force aggressively marketing and selling Gatekeeper's new G series products. The new features from the G series products, such as the intelligent wireless system, bundled with its solid state bus video and GPS technology, and the recording of high resolution video, while streaming live video, has been widely accepted by new and existing customers.

### Gross Margins

Gross margins for the three and six month period ended February 28, 2014 was 44% and 43%, respectively, compared to 25% and 29%, respectively during the same periods in fiscal 2013. Higher gross margins are largely due to product sales mix, and managing of costs. The sale of the G series products have generally a higher margin compared to the Company's older GSX

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CANADA

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and NiTRO products. The cost of sales components are comprised of the cost of materials, labour and overhead, inventory obsolescence provisions and write-offs, warranty expense, transportation and other supply chain costs.

## Operating Expenses

Sales and marketing expenses for the three and six months ended February 28, 2014 were \$294,000 and \$589,000, respectively, compared to \$318,000 and \$564,000, respectively, during the same periods in fiscal 2013. The overall 29% increase during six months ended February 28, 2014, compared to the same period in fiscal 2013, represents a greater number of sales staff as well as higher levels of business development and marketing activities for our new products. Sales and marketing expenses generally remained consistent between the first and second quarters of fiscal 2014. Management generally expects sales and marketing expenses to be approximately 20% of sales revenue. The higher percentage experienced during the second quarter is largely due to lower sales activities for the three months ended February 28, 2014.

Research and development (“R&D”) costs for the three and six months ended February 28, 2014 were \$177,000 and \$350,000, respectively, compared to \$92,000 and \$189,000, respectively, during the same periods in fiscal 2013. R&D expenses increased 91% and 85% during the three and six months ended February 28, 2014 largely due to product commissioning costs of the Company’s new wireless network system. R&D costs remain consistent quarter-on-quarter during fiscal 2014.

General and administrative (“G&A”) expense for the three and six months ended February 28, 2014 were \$259,000 and \$809,000, respectively, compared to \$318,000 and \$564,000, respectively, during the same periods in fiscal 2013. The significant components of G&A are salaries and wages, investor relations, legal and accounting, and general office expenses. G&A expenses remain relatively fixed and consistent between the first and second quarters of fiscal 2014. During the first quarter of fiscal 2014, the Company granted share-based awards which resulted in share-based compensation charges of \$45,000 and \$131,000 for the three and six months ended February 28, 2014.

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## Cash and Working Capital

At February 28, 2014, the Company had cash and cash equivalents of \$426,343 and working capital of \$1,368,200, 42,138,358 common shares issued and outstanding, 1,801,802 Class A preferred shares outstanding.

## Financial Reports

Full details of the financial reports and operating results for the second quarter of fiscal 2014 are described in the Company's condensed interim consolidated financial statements with accompanying notes and related Management's Discussion and Analysis. These documents and additional information on Gatekeeper are available on SEDAR at [www.sedar.com](http://www.sedar.com)

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## About Gatekeeper Systems Inc.

Founded in 1997, Gatekeeper Systems Inc. has provided total mobile video security solutions to over 3,500 customers and has installations in every state and province in North America. Customers include school districts, public transit, law enforcement and military.

For more information visit: [www.gatekeeper-systems.com](http://www.gatekeeper-systems.com).

On behalf of the Board,

***Douglas Dymont***  
**President & CEO**

**Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.**

Cautionary Note Regarding Forward-Looking Statements: Certain statements made in this press release that are not historical facts are forward-looking statements and are subject to important risks, uncertainties and assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward looking statements. For more exhaustive information on these risks and uncertainties, the reader should refer to the risk factors described in the management's discussion and analysis for the period ended February 28, 2014. The forward-looking statements contained in this press release represent our expectations as of the date hereof. We disclaim any intention and assume no obligation to update or revise any forward-looking statements. Forward-looking statements are presented for the purpose of providing information about management's current expectations and plans and allowing investors and others to obtain a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The Company undertakes no obligations to update or revise such statements to reflect new circumstances or unanticipated events as they occur, unless required by applicable law.

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