

# GATEKEEPER

## Gatekeeper Reports 11% Growth and US Expansion Fuels Third Quarter Results

**Abbotsford, BC - July 30, 2018 - Gatekeeper Systems Inc. ('Gatekeeper' or the 'Company') (TSX.V: GSI; OTC: GKPRF; FSE: 1GK)**, a leading provider of video surveillance systems developed to protect children riding on school buses and people using North America's transit systems, today reported its financial results for the third quarter ending May 31, 2018.

### Q3 2018 Financial Highlights

- Revenue for the three months ending May 31, 2018 was \$2,527,308 compared to \$2,274,528 during the same period in the previous year, representing an 11% increase, and included \$311,883 of recurring revenue from the Company's US subsidiary, Gatekeeper Systems USA Inc. ("Gatekeeper USA"), which operated in two months of the quarter;
- Gross profit during the quarter was \$1,360,930 compared to \$1,183,068 during the same period in the previous year and, as a percentage of revenue, was 54% for Q3-F2018 as compared to 52% for Q3-F2017;
- Increased expense levels during the quarter reflected consolidated general and administrative expenses from the new Gatekeeper USA, and one-time expenditures related to setting up the US location and expanding the company's sales team;
- Net loss for the quarter was \$126,209 as compared to a net income of \$139,508 for the same period in the previous year and included \$108,235 (Q3 F2017 \$22,851) of non-cash, share based payment expense;
- Gatekeeper USA contributed \$71,264 of profit for the two months that it operated in Q3;
- As at May 31, 2018, the Company had cash and cash equivalents of \$4,625,143 and working capital of \$6,714,687.

### BUSINESS UPDATE

During the third quarter of fiscal 2018, the Company advanced the following initiatives:

- Its American subsidiary company, Gatekeeper USA, was incorporated on March 1, 2018, to increase operational capabilities south of the border for the Company's digital video recording (DVR) technology systems, and to meet *Buy America* regulations. The new subsidiary will target sales and service opportunities within the public transit market, as well as building on its service and maintenance capabilities for the Company's school bus fleet customers.
- The Company's subsidiary, Gatekeeper USA, purchased certain operating assets of Wilmington, Delaware-based Spector Logistics Inc. ("Spector"), to position it for expansion in the US transit market. The assets acquired included a production facility, a workforce with technical expertise in the train market, and a command and control center in Wilmington, designed to manage portable video installations for special events, crowd

surveillance, and remote site-monitoring. Gatekeeper USA also acquired Spector's contracts with the sixth largest rapid transit system in the USA, Southeastern Pennsylvania Transportation Authority ("SEPTA").

- Completed the first release of Gatekeeper's Health Check system to provide feedback proactively about the operational state of DVR equipment on a vehicle. Health Check is a server-based software product that queries a DVR over a cellular or WiFi channel to determine the health of the DVR system installed in a vehicle. The Health Check system verifies the operation of the wireless link, cameras, and storage medium (hard drive or SD card). In addition, Health Check tracks DVR internal temperatures and supply voltage measurements to ensure reliable operations.
- Released the WA 11 wide angle (163°horizontal field of view) 720p analog high definition camera to address the trend of installing high-back seats in school buses, which can obscure a standard camera view. The combination of the wide-field of view and mounting position provides a line of sight sufficient to see the passengers between the seats.
- Added analog high definition (up to 1080p) recording capability to the 504HD2 DVR. The result is the launch of the 504HD2a DVR. With this additional functionality, all DVRs offered by Gatekeeper now have the ability to record analog high definition video in addition to Internet Protocol (IP) high-definition video.

Doug Dymont, President and CEO said, "We continued to grow the company in the third quarter by expanding our sales team for our school bus and transit markets. Our sales funnel is showing significant growth in the transit market as we push vertically into this sector." Dymont added, "We are excited about the opportunities created from opening our US subsidiary and taking on the video maintenance, service and support contracts with SEPTA. By assigning their contracts to Gatekeeper, SEPTA has allowed us to demonstrate the substantial capabilities we have to provide superior products, service and support across an array of transit vehicles. With our expansion, Gatekeeper is actively supporting video systems on transit buses, rapid transit, commuter rail, light rail and electric trolleybuses."

## Summary of Financial Results and Information

	Three months ended		Nine months ended	
	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Revenue	\$ 2,527,308	\$ 2,274,528	\$ 5,194,527	\$ 4,953,564
Gross Profit	\$ 1,360,930	\$ 1,183,068	\$ 2,767,242	\$ 2,430,760
Gross Margin	54%	52%	53%	49%
Expenses	\$ 1,519,016	\$ 1,050,846	\$ 3,844,983	\$ 2,865,036
Net Income (Loss) for the period	\$ (126,209)	\$ 139,508	\$ (966,048)	\$ (445,835)
Basic Income (Loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.01)

  

	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Total Assets	\$ 8,047,103	\$ 8,655,985	\$ 8,047,103	\$ 8,655,985
Total Liabilities	\$ 719,114	\$ 735,150	\$ 719,114	\$ 735,150
Total Shareholders' Equity	\$ 7,327,989	\$ 7,920,835	\$ 7,327,989	\$ 7,920,835

Full details of the financial reports and operating results for the three months ending May 31, 2018 are described in the Company's condensed interim consolidated financial statements with accompanying notes and related Management's Discussion and Analysis, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### About Gatekeeper Systems Inc.

Gatekeeper Systems Inc. provides wireless high-resolution video security and safety solutions for in-transit applications, including school buses, municipal transit, law enforcement and the military. The Company offers wireless live-streaming video surveillance, video analytics, driver monitoring, and incident management solutions to help protect school children, public transit users and employees while on the move. The Company has unique photo enforcement and auto-ticketing solutions which deter stop-arm violations and protect school children. Gatekeeper has installed over 100,000 video devices for more than 3,500 customers throughout North America. [www.gatekeeper-systems.com](http://www.gatekeeper-systems.com)

On behalf of the Board,

**Douglas Dymont**  
President & CEO

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