

**GATEKEEPER SYSTEMS INC.
MANAGEMENTS DISCUSSION & ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016**

General

This Management's Discussion and Analysis ("MD&A") of Gatekeeper Systems Inc. ("Gatekeeper," "GSI," or the "Company") is dated December 29, 2016 and provides an analysis of Gatekeeper's financial results for the fiscal year ended August 31, 2016 compared to the year ended August 31, 2015 and 2014. The following information should be read in conjunction with the Company's year ended August 31, 2016 consolidated financial statements with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 the Company. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on this forward-looking information.

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

On February 19, 2013, the Company completed the acquisition of all of the issued and outstanding shares of the private company, GSI Systems Inc. (“GSI”) through a reverse takeover arrangement (the “RTO”), 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 school buses, transit buses, law enforcement vehicles, body cameras, transport vehicles, military and coast guard aircraft.

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

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

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

Selected Financial Information

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

Consolidated Statement of Operations	For the years ended		
	August 31, 2016	August 31, 2015	August 31, 2014
Revenue	\$ 9,899,875	\$ 5,943,773	\$ 4,040,124
Cost of Sales	\$ 4,848,332	\$ 3,250,899	\$ 2,493,737
Gross Profit	\$ 5,051,543	\$ 2,692,874	\$ 1,546,387
Gross Margin	51%	45%	38%
Expenses	\$ 4,243,305	\$ 3,740,182	\$ 3,242,825
Operating Income (Loss)	\$ 808,238	\$ (1,047,308)	\$ (1,696,438)
Net Income (Loss) for the year	\$ 695,566	\$ (920,796)	\$ (1,665,364)
Earnings (Loss) per share –			
Basic	\$ 0.01	\$ (0.02)	\$ (0.05)
Diluted	\$ 0.01	\$ (0.02)	\$ (0.05)
Total Assets	\$ 4,549,330	\$ 3,322,309	\$ 1,636,020
Total Liabilities	\$ 1,034,998	\$ 759,839	\$ 450,120
Total Shareholders' Equity	\$ 3,514,332	\$ 2,562,470	\$ 1,185,900

Overview

Gatekeeper Systems Inc.'s mission is to protect children, critical assets and to 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, general fleet vehicles, and 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 to conduct research and development activities to develop platforms as service offerings to our customers. We believe that creating superior products with integrated third party software and hardware will deliver valuable solutions that meet our customers' requirements and drive future growth. We also 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 one of the leaders 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 users to protect the privacy of individuals not related to the incident by covering up faces during the video

clipping process. This results in the company's video management software being used as an effective tool to help end users better manage incidents and evidence with speed and accuracy thus 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 located 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 based software application trade named TIMS™ (Traffic 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 to be 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 Gatekeeper's 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 believes its technology could be applied to other video enforcement scenarios 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 sales model for its video enforcement platform was designed to allow counties and cities to pay for the technology from the citations collected from the drivers involved in the incidents rather than from taxpayers who are not breaking the law.

Gatekeeper's 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 before costs escalate using hard evidence. Video integrated with GPS, time and date and other vehicle sensors is becoming a more common means of providing 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 and DOKN-GO;
- 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
- TIMS™ (Traffic Infraction Management System) 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. The Company's brand XFORCE™ includes body cameras and in car video systems for law enforcement, prisoner vehicles and other public safety applications.

Overall Performance

Gatekeeper achieved revenue growth of 67% for the year ended August 31, 2016 to reach \$9,899,875 as compared to \$5,943,773 for the year ended August 31, 2015.

Net income for the year ended August 31, 2016 was \$695,566 (\$0.01 per share) compared to a net loss of \$920,976 (-\$0.02 per share) for the year ended August 31, 2015, which is in an increase of 176%.

Cost of sales in fiscal 2016 was \$4,848,332 compared to \$3,250,899 in fiscal 2015, representing a 49% increase. Gross margins as a percentage of revenue in fiscal 2016 improved to 51%, compared to 45% in fiscal 2015, representing a 13% increase. The increase was mainly due to the sales mix of distributor versus direct sales.

After approximately two years of cost reductions associated with cash management measures, the Company's sales pipeline for both interior mobile security camera systems and stop arm camera systems have shown a positive growth trend that the Company was able to convert into sales thanks, in part, to the Company's efforts to increase trade financing during the year. The Company has experienced increased demand for wireless projects which includes the company's AUTOWAKE and live streaming video features have added to overall growth. The Company's unique wireless features allow customers to more easily manage their video by accessing video from remote locations. The Company is pursuing additional third-party software solution and service providers as potential partners in creating enhanced products and solutions.

In order to continue to meet customer demand and fulfill projected growing order backlog, the Company negotiated 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 \$4,243,305 for the year ended August 31, 2016 compared to \$3,740,182 during the prior year, representing a 13% increase. The majority of the operating expense increase was in the areas of sales and marketing and research and development expenses.

During fiscal 2016, operating expenses remained within management's expectations and operating budgets. Selling and marketing expenses ("S&M") during the year ended August 31, 2016 was \$1,662,540 compared to \$1,509,004 during the year ended August 31, 2015, representing a 10% 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 year ended August 31, 2016 were \$1,743,396 compared to \$1,595,853 during the year ended August 31, 2015, representing a 9% increase. The increase in G&A expenses relate to higher investor relations costs, consulting fees, and share-based compensation.

During the year ended August 31, 2016, the Company implemented new sales and marketing strategies to strengthen Gatekeeper's brand awareness. The Company continued to invest resources towards ongoing business development to grow the sales funnel. Sales and marketing expenses include travelling, attending and participating in targeted industry tradeshows and exhibitions.

Research and development ("R&D") expenses during the year ended August 31, 2016 were \$837,369, compared to \$635,325 during the year ended August 31, 2015, representing a 32% 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.

For the year ended August 31, 2016, net income was \$695,566, compared to a net loss of \$920,796 during the year ended August 31, 2015. Excluding non-cash charges of \$28,599 for depreciation and impairment, \$76,561 inventory write-down, and \$196,296 share-based payment charges, the adjusted net income was \$997,022 for the year ended August 31, 2016, as compared to an adjusted net loss of \$674,242 for the year ended August 31, 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.

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 its capital needs, but believes its current operating profitability combined with the above-noted US\$ 1.5 million credit

facility to cover inventory and general operating expenses, are sufficient and that the need for additional capital in the form of equity is not required to support the business at its current level of activity. Management's preference for any near-term capital raises that may be required to build sales and distribution, expand business development, product and software development, and facilitate working capital needs is by way of non-dilutive means.

Selected Quarterly Information

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

	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	F2016-Q4 Aug 31 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	931,855	1,087,172	1,455,537	2,468,209	955,574	1,726,008	3,103,333	4,114,960
Gross Profit	365,846	534,133	623,911	1,168,984	436,967	902,696	1,541,440	2,170,440
Expenses	828,858	808,920	842,549	1,259,855	1,034,589	881,126	1,035,642	1,291,948
Net Income (Loss)	(435,880)	(237,439)	(215,984)	(31,493)	(577,247)	66,024	322,078	884,711
EPS (Basic)	(0.01)	(0.01)	(0.01)	0.00	(0.01)	0.00	0.01	0.01
EPS (Diluted)	(0.01)	(0.01)	(0.01)	0.00	(0.01)	0.00	0.01	0.01
Assets	1,219,484	1,287,194	1,753,296	3,322,309	2,433,963	3,003,596	3,362,720	4,549,330
Liabilities	451,432	697,495	1,031,458	759,839	444,377	886,164	922,218	1,034,998
Shareholders' Equity	768,052	776,114	721,838	2,562,470	1,989,586	2,117,432	2,440,502	3,514,332

Discussion of Fourth Quarter and Year End Operations

Revenue

Revenue for the fourth quarter of fiscal 2016 was \$4,114,960 compared to \$2,468,209 during the comparative period of the prior year, representing a 67% increase. The Company operates in the mobile video security segment in which it develops, manufactures, and markets mobile video security systems for the school bus and public transportation markets and other niche markets.

Revenues for the year ended August 31, 2016 were \$9,899,875, compared to revenues of \$5,943,773 during the year ended August 31, 2015, representing a 67% increase compared to the prior year. The current quarter's growth is reflective of greater customer adoption to the company's high definition platform and wireless systems 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 fourth quarter ended August 31, 2016, were 53%, compared to 47% during the comparative period of the prior year. The cost of sales consists 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. Gross margins as a percentage of revenue can fluctuate from quarter to quarter depending on the mix of sales including lower-margin installation revenue.

Overall, gross margins for the year ended August 31, 2016 were 51%, compared to 45% during the year ended August 31, 2015.

Operating Expenses

Overall operating expenses were \$4,243,305 for the year ended August 31, 2016 compared to \$3,740,182 during the prior year, representing a 13% increase. The majority of the operating expense increase was in the areas of sales and marketing and research and development expenses. Despite significantly higher revenue, operating expenses were \$1,291,948 for the fourth quarter ended August 31, 2016, compared to \$1,259,855 during the same quarter in the prior year, representing a 3% increase, reflecting Management's efforts to control costs and increase profitability.

During the fourth quarter ended August 31, 2016, General and Administrative ("G&A") expenses were \$598,180, compared to \$638,480 during the three months August 31, 2015, representing a 6% decrease. Overall G&A

expenses were \$1,743,396 for the year ended August 31, 2016, compared to \$1,595,853 during the year ended August 31, 2015; the 9% increase in 2016 compared to 2015 is primarily attributable to higher investor relations costs, consulting fees, and share-based compensation. Overall salaries and benefits decreased by 16% in fiscal 2016 compared to fiscal 2015 due to reduced staff costs. G&A as a percentage of sales has decreased. It was 15% for the fourth quarter and 26% for the comparative period last year. For the year ended August 31, 2016 the percentage of sales was 18% and 27% for the year ended August 31, 2015.

For the three months ended August 31, 2016, sales and marketing expenses were \$489,043, compared to \$414,062 during the same quarter in the prior year, representing an 18% increase. Selling and marketing expenses for the year ended August 31, 2016 were \$1,662,540, compared to \$1,509,004 during the year ended August 31, 2015, representing an increase of 10%. Sales and marketing expenses as a percentage of sales has decreased, falling to 12% for the fourth quarter compared to 17% for the same period last year. For the year ended August 31, 2016, the sales and marketing expenses as a percentage of sales was 17% compared to 25% for the year ended August 31, 2015. Selling and marketing (“S&M”) expenses are comprised of sales salaries and commissions and direct selling expenses. The increase in S&M expenses is in line with Management’s expectations given the change in sales.

Research and development (“R&D”) expenses were \$204,725 during the three months ended August 31, 2016, compared to \$207,313 during the same period in prior fiscal year, representing a 1% decrease. For the year ended August 31, 2016, research and development (“R&D”) expenses were \$837,369 compared to \$635,325 during the year ended August 31, 2015. R&D expenses as a percentage of sales has decreased to 5% in the fourth quarter of fiscal 2016 year compared to 8% for the fourth quarter of fiscal 2015 year, primarily due to the increase in sales compared to prior period. For the year ended August 31, 2016, R&D expenses as a percentage of sales was 8% compared to 11% in 2015 due to the increase in sales compared to the prior period. 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 estimated to be USD\$15 billion, annually, at the end of 2014, up from USD\$13.5 billion in 2013. In 2018, worldwide revenue is projected to be USD\$23.6 billion, equating 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.

The mobile market is slower to transition from analog to IP technology than the fixed site surveillance market, however, Management expects there will be significant opportunities for Gatekeeper 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 its customers with superior products through world class innovation. Its mission is to grow by having our feet on the ground and fully understanding its customers’ needs.

The Company's current product line allows for expansion into multiple niches. 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 94% of the Company's sales in fiscal 2016 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, depending on the State law, the average fine for a stop arm violation range from \$250 to \$500 USD. 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. States that have not passed legislation allowing video enforcement systems require law enforcement officers to witness the incident in order to issue a citation. 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 two years 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 over 20 school districts. The Company is anticipating revenue from its stop arm camera business in 2016-17 fiscal year.

International

The Company's main focus over the next 24 months will be the North American market but it plans to introduce the technology in 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 aligns the Company's Gatekeeper brand with its new products. The Company has recently adopted social media to better connect and interact with customers and prospects. The Company launched a new public relations campaign distributing case studies, press and product releases to prospects across North America to increase awareness 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 reduced 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 leverages in-house product management and software development engineering with outsourced hardware design. The majority of coding for large scale software development projects such as Gatekeeper's cloud based software application is outsourced, however, the Company retains full ownership and management of the intellectual property. This strategy has allowed the Company to reduce the time to market by approximately six to twelve months, as is the case with the Cloud Based Software Application for automating ticketing for stop arm violations.

During the year ended August 31, 2016, the Company accomplished the following:

- **Blur Tracking** - The Company launched an industry first by adding Blur Tracking in Gatekeeper's G4 Viewer Plus video viewing application. This feature allows users to dynamically move blur areas in video in order to protect the privacy of bystanders who are not involved but still captured in the video.
- **Integration with Routing and Scheduling** - The Company produced software that allowed the passing of real time location and sensor data to 3rd party Routing and Scheduling software. This allow customers to realized additional value from the MDVR system as they can now compare actual routes to planned routes and increase the efficiency of their fleet.
- **Body cameras** - Completed the integration of DOC-N-GO to 3rd party back end video storage system.
- **G4 Connect** - Released Android application (available on the Google Play Store) that allows customers to plug in portable USB WiFi dongle into a DVR and then modify a DVR's configuration, view previously recorded video and download target video.
- **TIMS™** - In support of the Stop Arm business, TIMS™ (Traffic Infraction Management System) functionality continued to grow including the ability to add customers in new jurisdictions.
- **SP 422 Stop Arm Camera** - A new Stop Arm Camera Pod, SP 422 was released to market. This camera pod captures the license plates of vehicles passing a school bus 3 lanes over. Video motion detection was added to the DVR to reduce the number of stop arm events that an analyst needs to review.
- **In-house Hosting Infrastructure for TIMS™ Cloud Based Incident Processing** was expanded to facilitate the support of multiple customers and TIMS™ was moved behind a 3rd party content delivery network to provide intrusion prevention and mitigate potential DDOS attacks.

Liquidity and Capital Resources

At August 31, 2016, the Company had cash and cash equivalents of \$898,331 and working capital of \$3,358,577 compared to \$1,165,555 and \$2,463,826, respectively, at August 31, 2015.

Cash used in operating activities was \$612,420 for the year ended August 31, 2016, compared to cash used in operating activities of \$1,261,340 for the year ended August 31, 2015. The decrease 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 revenues, sales and marketing expenses, research and development expenses and public company related costs for the year ended August 31, 2016.

Cash used in investing activities was \$47,155 for the year ended August 31, 2016, compared to \$94,363 for the year ended August 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 \$397,255 for the year ended August 31, 2016, which was primarily related to the line of credit, compared to \$2,192,331 for the year ended August 31, 2015. During the year ended August 31, 2015, the Company successfully raised \$2,376,425 from over-subscribed private placements.

During the year ended August 31, 2016, the Company entered into a non-dilutive revolving secured line of credit of up to \$1.5-million USD (the "Line of Credit"). Funds are to be available to the Company under the Line of Credit pursuant to an availability formula based on eligible receivables and inventory. The Line of Credit has an initial three-year term that expires April 30, 2019 and is renewed year-to-year thereafter unless terminated in writing by the Company with at least 60 days' notice. The lender can terminate this agreement at any time in writing with at least 90 days' notice.

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

- (a) On average borrowings during the preceding month not exceeding the availability formula based on eligible receivables, the interest rate is prime rate plus 3.25%;
- (b) On average borrowings during the preceding month exceeding the availability formula based on eligible receivables, the interest rate is prime rate plus 3.50%;

- (c) On any borrowings on any day exceeding the availability formula based on both eligible receivables and inventory, the interest rate is prime rate plus 6.50%; and
- (d) Prime rate must not be less than 3.50%.

The Line of Credit is repayable on demand, is secured by a first charge on the assets of the Company and its subsidiaries and requires a maintenance of a tangible net worth of not less than negative \$1.5 million and working capital of not less than negative \$1.5 million at the end of each fiscal quarter.

The Line of Credit is also subject to annual facility fees of \$15,000 USD and monthly administration fees of \$1,000 USD.

The Company has agreed to pay a related party an annual fee of \$18,750 USD as consideration for subordinating the related party's first charge over the Company's assets on any debts to the related party by the Company.

During the year ended August 31, 2016, the Company incurred finance costs of \$164,342 in connection to the Line of Credit.

As of August 31, 2016, amount payable was \$337,255.

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 assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses in prior years and cash outflow from operations as a result of its sales and marketing and business development activities in its core markets and although these initiatives have grown its sales opportunity funnel, the timing of associated revenue-generating projects may be impacted by issues that are outside of the Company's control and, as a result, the Company may require additional financing from external sources.

The Company has a net income of \$695,566 for the year ended August 31, 2016 (2015 – net loss of \$920,796) and has a working capital of \$3,358,577 at August 31, 2016 (2015 – \$2,463,826). The Company had cash and cash equivalents of \$898,331 at August 31, 2016 (2015 – \$1,165,555), but management cannot provide assurance that the Company will continue to achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Future financing options may include obtaining bank credit facilities, short-term loans from third parties and/or through issuance of equity. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. 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.

Contractual Obligations

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

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

Contractual Obligations	2016	2017	2018	2019	2020	Thereafter	Total
Operating leases	\$ -	\$ 126,661	\$ 68,255	\$ 3,830	\$ 3,830	\$ 319	\$ 202,895
Trade and other payables	264,631	-	-	-	-	-	264,631
Accrued liabilities	431,904	-	-	-	-	-	431,904
	\$ 696,535	\$ 126,661	\$ 68,255	\$ 3,830	\$ 3,830	\$ 319	\$ 899,430

- a) The Company has entered into various operating lease contracts for office space and office equipment. The future minimum payments under these leases as at August 31, 2016 are as follows:

2017	\$ 126,661
2018	68,255
2019	3,830
2020	3,830
Thereafter	319
	\$ 202,895

- b) The Company has agreed to pay a related party an annual fee of \$18,750 USD as consideration for subordinating the related party's first charge over the Company's assets on any debts to the related party by the Company.
- c) The Company is involved in a dispute over the termination of a contract dated September 15, 2015 by the contractor for investor relation services. Management is of the opinion that this dispute is without merit and a provision of \$36,000 has been made in the financial statements for the year ended August 31, 2016 related to this matter.

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 exercise of options	400,000	-
Balance – August 31, 2016 and December 29, 2016	63,373,495	-

On February 10, 2016, the Company issued 200,000 common shares related to the exercise of 200,000 stock options at an exercise price of \$0.15 per share.

On February 23, 2016, the Company issued 200,000 common shares related to the exercise of 200,000 stock options at an exercise price of \$0.15 per share.

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 \$0.15 per unit, based on the achievement of a certain milestone as specified within the agreement.
- (ii) On July 16 and 28, 2015, the Company closed 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 \$132,137 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 year ended August 31, 2016 were as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2014	\$0.24	4,367,000
Stock options granted	\$0.19	770,000
Options forfeited	\$0.25	(775,000)
Balance – August 31, 2015	\$0.24	4,362,000
Stock options granted	\$0.17	2,896,250
Stock options exercised	\$0.15	(400,000)
Options cancelled	\$0.25	(1,170,000)
Balance – August 31, 2016	\$0.21	5,688,250

During the year ended August 31, 2016, the Company granted 2,896,250 (2015 – 770,000) incentive stock options to employees, consultants and directors. The options may be exercised within 5 to 10 years from the date of grant at a price ranging from \$0.13 to \$0.20 (2015 – \$0.16 to \$0.24) per share.

The weighted average fair value of the options granted during the year ended August 31, 2016 was estimated at \$0.14 (2015 - \$0.11) per option as at the respective grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	August 31, 2016	August 31, 2015
Risk free interest rate	1.14%	1.59%
Expected life	9 years	6 years
Expected volatility	89.60%	63.02%
Expected dividend per share	-	-

Share Purchase Warrants

During the year ended August 31, 2015, 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%, an expected life of 2 years, an expected volatility of 52.25% to 54.12%, and no expected dividends. 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 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	\$0.30	(6,114,137)
Balance – August 31, 2016	\$0.25	8,957,330

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

	Exercise price	Number of warrants	Expiry date
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
		8,957,330	

Use of Financial Instruments

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

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

Financial Risk Management

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

Credit Risk

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

At August 31, 2016, 0% 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 from related party as at August 31, 2016 of \$2,482,720 (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. The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at August 31, 2016 and 2015 are summarized as follows:

	August 31, 2016	August 31, 2015
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 210,422	\$ 327,770
In later than 90 days, not later than one year	5,553	-
	<u>\$ 215,975</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 August 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 94% 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 August 31, 2016 and 2015:

	2016	2015
Cash and cash equivalents	\$ 827,272	\$ 518,773
Restricted cash	73,911	111,989
Trade receivables	2,162,119	1,184,191
Trade payables	135,755	19,537
	\$ 3,199,057	\$ 1,834,490

Based on the above net exposure at August 31, 2016, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately \$319,906 decrease or increase respectively in both net and comprehensive loss (2015 – \$183,449). The Company has not employed any currency hedging programs during the years ended August 31, 2016 and 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

	August 31, 2016	August 31, 2015
Salaries and short-term benefits	\$ 349,654	\$ 439,373
Share-based payment	93,389	18,172
	\$ 443,043	\$ 457,545

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

(b) Trade Related Party Transactions

The amounts due to related parties as at August 31, 2016 and 2015 are as follows:

	August 31, 2016	August 31, 2015
Chief Executive Officer	\$ 11,132	\$ 628
Former Chief Financial Officer	-	23,333
	\$ 11,132	\$ 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, 2016 was 1%. The loan is unsecured and repayable upon written notice given to the Company.

The Company has agreed to pay the Chief Executive Officer an annual fee of \$18,750 USD as consideration for subordinating the related party's first charge over the Company's assets on any debts to the related party by the Company.

At August 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 year ended August 31, 2016:

IFRS 2 'Share-based Payment' has amendments in relation to the classification and measurement of share-based payment transactions in the area of the effects of vesting conditions on the measurement of a cash-settled share-based payment, accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled and the classification of share-based payments transactions with net settlement features. These amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 7 'Financial Instruments: Disclosures' clarifies the definition for continuing involvement in a transferred financial asset. The amendments are effective for annual periods beginning on or after January 1, 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 10 'Consolidated Financial Statements' clarifies the conditions for a parent to present consolidated financial statements for investment entities, and treatment for loss of control of a subsidiary that does not contain a business. The amendments related to investments entities: applying the consolidation exception are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The amendments related to sale or contribution of assets between an investor and its associate or joint venture are effective for annual periods beginning on or after a date to be determined by the IASB with early adoption permitted if disclosed.

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.

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

IAS 1 'Presentation of Financial Statements' is an amendment to clarify certain aspects focused on the areas of clarification of the concept of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of loss and comprehensive loss, and providing of additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendment is applicable to annual periods beginning on or after January 1, 2016.

IAS 7 'Statement of Cash Flows' is an amendment to clarify and improve information provided to users of financial statements about an entity's financing activities. The amendment is applicable for annual periods beginning on or after January 1, 2017.

IAS 12 'Income Taxes' is an amendment to clarify criteria used to assess whether future taxable profits can be utilized against deductible temporary differences. The amendment is applicable to annual periods beginning on or after January 1, 2017.

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 August 31, 2016 of \$9,258,318. 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.

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

Technological Change, New Products and Standards

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

Reliance on Information Systems and Technology

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

Reliance on Third Party Licenses

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

Effectiveness and Efficiency of Sales and Marketing Expenditures

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

Product Liability

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 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.

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 fiscal year ended August 31, 2016.

As well, as of the end of the fiscal year ended August 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 fiscal year ended August 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.