GATEKEEPER SYSTEMS INC.
MANAGEMENTS DISCUSSION & ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013

General

This Management's Discussion and Analysis ("MD&A") of Gatekeeper Systems Inc. ("Gatekeeper." "GSI," or the "Company") is dated December 17, 2013 and provides an analysis of Gatekeeper's financial results for the fiscal year ended August 31, 2013 compared to the year ended August 31, 2012 and 2011. The following information should be read in conjunction with the Company's August 31, 2013 consolidated financial statements with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

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

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

Description of Business

GSI Systems Inc. (formerly Gatekeeper Systems Inc.) ("Gatekeeper") was incorporated under the laws of the Province of British Columbia under the name of RDR Marketing Ltd. on July 7, 1992. The Company subsequently changed its name to Dyment & Associates Marketing Ltd. and later to Gatekeeper Systems Inc. On April 26, 2013, Gatekeeper changed its name to GSI Systems Inc.

On February 19, 2013, Indigo Sky Capital Corporation ("Indigo") completed its qualifying transaction (the "Qualifying Transaction") with the Company. Pursuant to the Qualifying Transaction, Indigo acquired all of the issued and outstanding common shares and Class A preferred shares of Gatekeeper, whereby former Gatekeeper shareholders received one common share of Indigo for each Gatekeeper common share held and one special warrant ("the Special Warrant") of Indigo for each Gatekeeper Class A preferred share held. Special Warrants are convertible into common shares of Indigo for no additional consideration after 18 months, from the date of the Qualifying Transaction, and are redeemable prior to the 18 months period at $0.37 per share at the option of Gatekeeper. The outstanding common share purchase warrants and stock options of Gatekeeper were also exchanged for common share purchase warrants and stock options of Indigo on a 1:1 basis. In addition, all outstanding Gatekeeper stock options were cancelled and Indigo stock options were issued as replacement options under new terms.

Upon closing of the Qualifying Transaction, the shareholders of the Company owned 90% of the issued and outstanding common shares of Indigo, on a diluted basis, and as a result, the Qualifying Transaction is considered a reverse acquisition of Indigo by Gatekeeper, where Gatekeeper is considered the acquirer and Indigo is the acquiree for accounting purposes. As a result, the consolidated financial statements are a continuation of the financial statements of Gatekeeper and references to the "Company" will mean the combined entity subsequent to the date of the Qualifying Transaction and to Gatekeeper prior to that date.

Indigo was incorporated under the provisions of the Business Corporations Act in the Province of British Columbia on August 26, 2010. On January 7, 2011, Indigo's common shares were listed on the Toronto Venture Exchange ("TSX-V") under the symbol "IDS.P". On May 28, 2013, Indigo changed its name to Gatekeeper Systems Inc. and its trading symbol on the TSX-V to "GSI".

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

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

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 Arrangement.

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.

(Unaudited)	For the year ended		
	August 31, 2013	**August 31, 2012**	**August 31, 2011**
Revenue	$ 3,839,703	$ 5,152,251	$ 5,390,342
Cost of Sales	$ 2,401,480	$ 2,505,030	$ 2,938,538
Gross Profit	$ 1,438,223	$ 2,647,221	$ 2,451,804
Expenses	$ 2,930,544	$ 2,210,581	$ 2,374,689
Operating (Loss) Income	$ (1,492,321)	$ 436,640	$ 77,115
Net (Loss) Income for the year	$ (2,631,462)	$ 131,365	$ (276,597)
(Loss) Earnings per share –			
Basic	$ (0.12)	$ 0.01	($ 0.02)
Diluted	$ (0.12)	$ 0.01	($ 0.02)
Total Assets	$ 1,642,389	$ 2,533,840	$ 2,326,170
Total Liabilities	$ 698,155	$ 1,496,740	$ 1,999,188
Total Shareholders' Equity	$ 944,234	$ 1,037,100	$ 326,982

Reverse Acquisition

Indigo successfully completed its Qualifying Transaction with Gatekeeper on February 19, 2013. Pursuant to the Qualifying Transaction, Indigo acquired all of the issued and outstanding common shares and Class A preferred shares of Gatekeeper whereby former Gatekeeper shareholders received one common share of Indigo for each Gatekeeper common share held and one Special Warrant of Indigo for each Gatekeeper Class A preferred share held. The Special Warrants are convertible into Class A preferred shares of Indigo for no additional consideration. The outstanding common share purchase warrants of Gatekeeper were also exchanged for common share purchase warrants of Indigo on a 1:1 basis. In addition, all outstanding stock options of Gatekeeper were cancelled and Indigo stock options were issued as replacement options under new terms. During the year ended August 31, 2013, all Special Warrants were converted into Class A preferred shares of Indigo.

As a result of the Qualifying Transaction, the shareholders of Gatekeeper owned approximately 90% of the issued and outstanding common shares of Indigo on a diluted basis. For accounting and reporting purposes, Gatekeeper is the accounting acquirer and Indigo is the accounting acquiree because of the significant holdings and influence of the control group of Gatekeeper before and after the Qualifying Transaction. Indigo did not meet the definition of a business for accounting purposes because it is a shell company with no ongoing business operations and, accordingly, the reverse acquisition has been accounted for as a share-based payment transaction. As a result, the difference between the fair value of the consideration deemed to have been paid by the accounting acquirer and the fair value of the identifiable net assets of the accounting acquiree is expensed.

The results of operations of Indigo are included in the consolidated financial statements from February 19, 2013, the date of the reverse acquisition.

The net assets acquired at fair value on February 19, 2013 are as follows:

Consideration paid	
2,800,000 common shares	$ 700,000
280,000 stock options	31,758
	731,758
Less: Value of net assets	
Cash	52
Amounts receivable	281,699
Trade and other payables	(233,031)
	(48,720)
Listing expense	$ 683,038

The fair value of the stock options has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 1.78% per annum, an expected life of option of 7.89 years, an expected volatility of 38.63 % and no expected dividend. The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

Overview

Gatekeeper Systems Inc. is a leading provider of high-resolution video security and safety systems for mobile applications. Mobile is defined as vehicles including school and transit buses, law enforcement vehicles and aircraft, taxi and general fleet vehicles, maritime applications including coast guard patrol boats and navy vessels, as well as homeland security and defense applications including special operations.

Through Gatekeeper® Mobile Video Division, the Company launched a new scalable mobile video product line which includes 4, 8 and 16 camera systems, G4™ Incident Management Software, which synchronizes real-time video with mapping, audio, and vehicle sensors, to create a 360 degree interior and/or exterior view of school buses for school bus managers to ensure safety of the children they transport The Company also launched a high speed license plate reading system trade named STUDENT PROTECTOR™ and a cloud-based software application trade named TIM™ (Ticket Infraction Management) that automates ticketing and billing of stop arm violations. The STUDENT PROTECTOR™ system collects and creates an EVIDENCE PAK which includes detailed information required for Law Enforcement to issue a ticket for stop arm violations. The Ticket Infraction Management software (TIM™) connects to the County vehicle database for matching the license plate of the stop arm violation with the vehicle owner. Tickets or citations are then issued and the entire process can be managed by TIM™.

Gatekeeper has designed its technology to be scalable for monitoring, recording and managing the ticketing process of speed violations in school zones and other safety zones such as parks and construction.

Independent studies project approximately 15 million stop arm violations will occur in 2014 in the United States. Average fines ranges from USD $200 to $350 per ticket. The Company has a number of business models including providing school districts with systems free of charge. Revenue from tickets is then shared with the School District, County and Gatekeeper. This and other businesses are structured as recurring revenue models for three to five years.

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 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; and
- G4 Incident Management Software which synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement.

The Company's product features allow them to be sold into a number of global applications. The high speed license plate sensor system was designed to provide school districts and law enforcement with a reliable tool to record plates or tags of stop arm violators.

Through Deep Development Corp. ("DDC"), a wholly-owned subsidiary, the Company focuses maritime, homeland security, defense and oil and gas markets. Under the brand Viperfish® DDC digital recorders meet various military specifications and are used to record video and metadata from forward looking infrared cameras, radar and high resolution cameras. DDC post-mission analysis software is used to analyze tactical operations recorded to the Viperfish recorders. The Company's Viperfish digital recorders are currently installed on the United States Air Force ("USAF") AC-130 Gunships, Sea King helicopters in Canada, and French Navy.

The Company has implemented sales strategies through direct sales and partner programs with system integrators and dealers. The Company's certified solution providers are trained, by the Company, to handle after sales support and installation. Sales and system specialist personnel provide support to dealers and introduce the Company's products to various vertical markets.

Overall Performance

2013 marks a significant year of transition for Gatekeeper Systems Inc. ("Gatekeeper"). On February 19, 2013, the Company completed its Qualifying Transaction with Indigo Sky Capital Corp., in which Gatekeeper became a publicly listed entity on the TSX Venture Exchange, as a result of the reverse takeover transaction.

Pursuant to the Qualifying Transaction, Indigo acquired all of the issued and outstanding common shares, and Class A preferred shares of the Company. Gatekeeper shareholders received one common share of Indigo for each Gatekeeper common share held and one Special Warrant of Indigo for each Gatekeeper Class A preferred share held. The outstanding common share purchase warrants and stock options of Gatekeeper were also exchanged for common share purchase warrants and stock options of Indigo on a 1:1 basis. . In addition, all outstanding stock options of Gatekeeper were cancelled and Indigo stock options were issued as replacement options under new terms.

As part of the Company's new corporate finance strategy, the Company successfully raised $2,110,000 from oversubscribed from two private placements during the year ended August 31, 2013. The purpose of the share issuance is to recapitalize the Company, repay debt, and reinvest in the Company through expansion of sales and marketing programs, through recruitment of sales personnel, and enhancement of products, facilitate working capital, and for general and administrative purposes.

During the first half of fiscal 2013, much of management's effort was focused on the completion of the Qualifying Transaction, corporate reorganization, and preserving working capital prior to completion of the 2013 financings. As a result, overall revenue suffered a 25% decline over the year ended August 31, 2012. Since the completion of the Qualifying Transaction, revenue showed signs of immediate improvement, where revenue increased by 14% during the third quarter, and by 37% during the fourth quarter of 2013, primarily due to a successful introduction of the G4 series cameras and digital recording systems. During the year ended August 31, 2013, management made a strategic decision to discontinue support for the Company's GSX and NiTRO product series due to the high cost to support these older products. As a result, during the year ended August 31, 2013, the Company incurred a one-time inventory write-down of $481,000 recorded to non-operating expenses and a warranty charge of $288,000 to cost of sales. Excluding warranty charges from cost of sales, gross margins for the year ended were 45%, which is in line with management's expectations and historical experience.

Overall, the Company incurred a net loss of $2,631,462 during the year ended August 31, 2013, compared to a net income of $131,365 during the year ended August 31, 2012. Aside from a 25% decline in sales revenue and one-time charges to cost of sales, the Company also incurred a $683,000 listing expense, as a result of the Qualifying Transaction, where the fair value of consideration paid to Indigo exceeded the fair value of net assets acquired. Since the completion of the Qualifying Transaction and the cash injection from the two private placements, the Company has invested in its sales and marketing programs, through hiring of new sales personnel, attending key tradeshows to introduce the Company's new products, and building new markets.

Selected Quarterly Information

Key financial information for each quarter of the 2013 fiscal year as well as the quarters spanning the two most recently preceding fiscal years is summarized as follows, reported in Canadian dollars:

(Unaudited)	F2013				F2012			
	F2013- Q1	**F2013-Q2**	**F2013-Q3**	**F2013-Q4**	**F2012-Q1**	**F2012-Q2**	**F2012-Q3**	**F2012-Q4**
Revenue	$ 788,592	$ 829,868	$ 942,073	$ 1,279,170	$1,555,058	$1,138,442	$ 974,959	$ 1,483,792
Cost of Sales	$ 499,830	$ 603,507	$ 618,154	$ 679,989	$ 601,278	$ 587,417	$ 563,558	$ 752,777
Gross Profit	$ 288,762	$ 226,361	$ 323,919	$ 599,181	$ 953,780	$ 551,025	$ 411,401	$ 731,015
Expenses	$ 541,402	$ 698,623	$ 732,897	$ 957,622	$ 722,842	$ 604,732	$ 555,289	$ 327,718
Operating (Loss) Income	$ (252,640)	$ (472,262)	$ (408,978)	$ (358,441)	$ 230,938	$ (53,707)	$ (143,888)	$ 403,297
Net (Loss) Income	$ (266,892)	$(1,188,000)	$ (583,510)	$ (593,060)	$ 231,756	$ (75,437)	$ (150,404)	$ 125,450
Basic EPS	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.03)	$ 0.01	$ (0.01)	$ (0.01)	$ 0.01
Diluted EPS	$ (0.01)	$ (0.07)	$ (0.03)	$ (0.03)	$ 0.01	$ (0.01)	$ (0.01)	$ 0.01
Total Assets	$2,156,209	$ 2,815,225	$1,927,127	$ 1,642,389	$2,617,736	$2,053,767	$1,824,557	$ 2,533,840
Total Liabilities	$ 1,390,841	$ 601,972	$ 297,384	$ 698,155	$2,058,998	$1,168,700	$1,089,889	$ 1,496,740
Total Shareholders' Equity	$ 765,369	$ 2,213,253	$1,629,743	$ 944,234	$ 558,738	$ 885,067	$ 734,677	$ 1,037,100

Discussion of Operations

Revenue

Revenue for the year ended August 31, 2013 was $3,840,000, compared to $5,152,000 for the year ended August 31, 2012, representing on overall 25% decline. The drop in sales is directly attributed to the delay in the closing of the Qualifying Transaction, which had a significant negative impact on available working capital, manufacturing output, and the flow and timing of sales. As such, during F2013-Q1 and F2013-Q2, the Company reduced its work force by scaling back sales and production staff and reduced its sales and marketing plans. Since the completion of the Qualifying Transaction, order flow has started to trend positively upward due to the successful introduction and acceptance of the G4 series of digital products and return of the sales and production work force to full-time working hours. As a result, revenue during the second half of F2013 increased by 37% compared to the first half of F2013, and also represents a14% increase during F2013-Q3 and a 36% increase during F2013-Q4 compared to the respective revenue of the prior year's periods.

The revenue growth trend is consistent with management's expectation as well as in line with the Company's strategic direction. The Company will continue to focus on top-line growth as we expand our products to our customers in existing markets, and enter into new markets with our scalable G4 Incident Management Software and Student Protector System.

Gross Margins

Gross margin for the year ended August 31, 2013 was 25%, compared to 50% for the year ended August 31, 2012. The decrease in gross margin is the result of a $481,000 inventory write-down from the Company's GSX and NiTRO product series. The Company made a strategic decision to discontinue support of these older products due to a combination of parts shortages, higher cost of support and positive acceptance from customers for the Company's new G4 Incident Management Software, G Series mobile video recorders and cameras. In addition, the Company incurred $288,000 in warranty costs and competitive pricing on sales resulting in a further decline in gross margins. Excluding adjustments relating to warranty charges, gross profit for the year ended August 31, 2013 was 45%, compared to 50% for the year ended August 31, 2012, which is more in line with the Company's historical experience. As we move away from the Company's older products, management expects gross margins will continue to improve due to the lower cost of the new G series mobile cameras and digital recorders.

Operating Expenses

Sales and marketing expenses for the year ended August 31, 2013 were $1,117,000, compared to $726,000 for the year ended August 31, 2012, Sales and marketing expenses are comprised mainly of sales force salaries, travelling costs associated with business development, building new and maintaining existing customer relationships, and the cost of attending tradeshows and exhibitions. Subsequent to the completion of the Qualifying Transaction, the Company added four members to the sales team, and attended a number of key industry tradeshows, in which the Company previously did not attend due to the strategies to conserve cash prior to completion of the financings. As a result, sales and marketing expenses increased by 45% in the second half of F2013 compared to the first half of F2013. The Company's strategy is to continue to expand the sales force as we move into new regions and introduce our products into new markets.

Research and development costs were $496,000 for the year ended August 31, 2013, compared to $255,000, which is net of a $455,000 Scientific, Research and Experimental Development ("SR&ED") tax refund received, during the year ended August 31, 2012. Excluding the SR&ED tax refund received during 2012, total research and development expense decreased 30% for the year ended August 31, 2013, compared to the year ended August 31, 2012. This is consistent with the Company's efforts to partner with key suppliers on joint research while continuing to work on a number of proprietary projects internally and outsourcing hardware design.

General and administrative expenses were $1,318,000 for the year ended August 31, 2013, compared to $1,230,000 during the year ended August 31, 2012. Salaries and benefits increased by 48% due to the Company expanding its workforce subsequent to the completion of the Qualifying Transaction. Stock-based compensation increased from $8,500 to $86,000 due to granting of new stock options and the result of incremental change in fair values from the modification of the Company's stock option plan and share purchase warrants pursuant to the Qualifying Transaction. The increase in general and administrative expenses is offset by a decrease in interest charges on loans. As a result of the Company using financing proceeds to repay debt, interest charges on loans decreased from $154,000 during the year ended August 31, 2012 to $6,800 during the year ended August 31, 2013.

Outlook

The global surveillance market, including software, recording devices, cameras and other items (excluding installation), is projected to grow from $11 billion in 2011 to $16 billion US dollars in 2015/16[1] . There are many niche segments within the surveillance market - including mobile video for school buses, transit buses, trains, law enforcement vehicles, general fleet vehicles, vessels and aircraft. The global mobile video market is estimated at $1.2 billion – excluding aircraft and marine vessels and portable markets such as safe zones in and around schools, parks and road construction.

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

Within the school bus, transit and law enforcement market segments, most companies provide end-to-end product solutions including video management software, cameras, digital video recorders and all other miscellaneous equipment that complete the system. In the marine vessel and aircraft markets segments, there are companies that provide cameras, digital recorders and video management software. The Company provides end-to-end solutions for its school bus, law enforcement and transit customers while providing the 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.

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[1] ABI Research The Video Surveillance Market Place 2010; IMS The World Market for CCTV and Video Surveillance Equipment 2012 May 2012

Gatekeeper Growth Strategy

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

The Company's current product line allows for expansion into multiple niches whereas the typical mobile video camera configuration is limited to four cameras which limit their ability to expand. The Company provides its customers with the ability to use its G4 Incident Management Software with its mobile video recorders from 4, 8 and 16 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 can connect and monitor any recorder over wireless networks anywhere in the world. This provides live streaming video for our customers to deal with 911 situations or monitor the health of their assets and cargo from remote locations. The G4 is also capable of fusing both fixed site surveillance cameras with its mobile video camera systems providing one common operating picture.

Approximately 90% of the Company's sales are from the United States. Canadian interest is growing with recent sales during the year ended August 31, 2013, to Calgary Handi Bus in Alberta, the Winnipeg School District in Manitoba, private bus contractors in Ottawa and the Ministry of Transportation in Prince Edward Island ("PEI"). The Ministry of Transportation in PEI is using an internal video system and license plate reading systems on several school buses. The Company is already a leading provider of bus video systems for school districts across British Columbia. Overseas interest in the Company's products is also growing and the Company expects sales, outside North America, to materialize in fiscal 2014.

In the United States, recent independent studies projects over 15 million stop arm violations occurred in 2013[2] . In the USA, the average fine for a stop arm violation is $250 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. Recent deaths and near misses of children while loading and offloading school buses have driven new legislation that allows authorities to use video recording from the Company's license plate reading system as evidence to issue tickets. The Company recognized this new trend over a year ago and initiated the development of a cloud-based software application that adds automatic license plate recognition in the Cloud, integrates with County Vehicle Databases, in the USA, and manages the entire ticketing process. One of the largest school districts in the USA, with an average of four stop arm violations per day per bus, has purchased the license plate reading system trademarked STUDENT PROTECTOR™ and the system went live during the summer of 2013. 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 also expanding its license plate reading technology and integrating it with radar to record the speed of a vehicle. Portable devices such as trailers in construction zones, school zones and other municipal areas will incorporate the Company's technology to help create safer highways and roads while sharing in the revenue collected from the citations.

The Company plans to officially launch its new cloud based software application in the first quarter of fiscal 2014. This new product development and software will move the Company into the analytic technology space from which it believes substantial growth in automated safety and security systems revenue can be generated.

Global Expansion

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

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[2] NASDPTS 2013 Study

Marketing and Brand Awareness

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

Product Development

The Company revamped its product development and go-to-market strategy over the past year which has resulted in reducing the total time-to-market for new products as well as increased the gross margin on these products.

The Company synergizes in-house product management and software development engineering with outsourced hardware design partners. The heavy lifting or coding for large scale software development projects such as Gatekeeper's cloud based software application is outsourced to specific teams. The Company retains full ownership and management of the intellectual property. This strategy has allowed the Company to reduce the time to market by as much as six to twelve months as is the case with the Cloud Based Software Application for automating ticketing for stop arm violations.

During the year ended 2013, the Company's strategic direction has resulted in the following product launches or improvements to existing products:

- A new Center of Excellence for license plate reading and ticketing specific to school bus video and road safety solutions;
- A new Incident Management Software scalable across multiple video recorders;
- New 4, 8 and 16 camera systems mobile video applications;
- A new Viperfish MSX digital recorder for maritime applications such as Coast Guard and Navy;
- A new automated wireless downloading system with auto wake capability;
- A new live streaming capability that allows customers to view video from any vehicle from anywhere in the world; and,
- A new multi infrared sensor system with bi-directional license plate reading capability for school buses.

The Company's strategy in the Military sector is to complete the development of its high definition recorder for aerospace and maritime markets giving the Company added capability to stay in line with high definition sensors currently being offered. In addition, the Company will look to expand sales by expanding its sales force and leveraging its current relationships with national defense contractors such as Lockheed Martin, Boeing Aerospace and other sensor companies. The Company is also exploring partners to build sales in Africa, South America, Australia, Europe and the Orient.

Liquidity and Capital Resources

At August 31, 2013, the Company had cash and cash equivalents of $191,104, and working capital of $755,199 compared to $887,840 at August 31, 2012.

Cash used in operating activities was $1,397,000 for the year ended August 31, 2013 compared to cash flows from operating activities of $112,000 for the year ended August 31, 2012. The decrease in operating cash flows was primarily attributed to the overall 25% decline in sales during the year compared to the year ended August 31, 2012.

Cash used in investing activities was $89,000 for the year ended August 31, 2013 versus $3,300 for the year ended August 31, 2012, was primarily related to the increase in leasehold improvements due to renovation of the Company's corporate head office.

On February 19, 2013, the Company issued 440,000 and 8,000,000 units at a price of $0.25 per unit for total gross proceeds of $2,110,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase and agents' warrants entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which entitlement will expire 12 months following the date of issuance of the share purchase warrant. Net proceeds from the issuances were $1,718,000, after issuance costs of the agents' commission

$233,000, 640,000 agents' warrants, and other issuance costs of $157,000. The use of proceeds from the financing is consistent with the anticipated use as outlined in the short-form prospectus for the offering.

With its cash resources and net working capital on hand at August 31, 2013, the Company anticipates it will have sufficient capital resources to carry out its currently-anticipated sales plans and working capital requirements of its operations, corporate office and administration for at least the next 12 month period.

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

Contractual Obligations

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

The following table summarizes the current contractual obligations of the Company and associated payment requirements as of August 31, 2013:

Contractual Obligations	**2014**	**2015**	**2016**	**2017**	**Thereafter**	**Total**
Operating leases	$ 125,298	$ 109,199	$ 109,642	$ 55,067	$ -	$ 399,206
Trade and other payables	174,257	-	-	-	-	174,257
Accrued liabilities	523,898	-	-	-	-	523,898
	$ 823,453	$ 109,199	$ 109,642	$ 55,067	$ -	$ 1,097,361

Capital Structure

As at the date of this MD&A, the Company has 40,336,566 common shares issued and outstanding, 3,603,604 Class A preferred shares outstanding.

	Common Shares	**Class A Preferred Shares**
Balance – August 31, 2012	22,028,655	5,405,405
Issuance of shares	11,240,000	-
Conversion of Gatekeeper Class A preferred shares into Indigo Special Warrants	-	(5,405,405)
Conversion of Indigo Special Warrants into Indigo Class A preferred shares	-	5,405,405
Balance – August 31, 2013	33,268,655	5,405,405
Conversion of Class A preferred shares into common shares	1,801,801	(1,801,801)
Issuance of shares	5,264,100	-
Exercise of stock options	2,000	-
Balance – December 17, 2013	40,336,556	3,603,604

On September 30, 2013, pursuant to the Qualifying Transaction completed on February 19, 2013, 1,801,801 Class A preferred shares were converted into common shares of the Company. On September 30 and October 3, 2013, the Company closed its first and second and final tranche of its non-brokered private placement offerings, by issuing a total of 5, 264,100 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, 2013 and 2012 were as follows:

	August 31, 2013		August 31, 2012	
	Weighted average exercise price	**Number of shares issued or issuable on exercise**	**Weighted average exercise price**	**Number of shares issued or issuable on exercise**
Outstanding – beginning of year	$ 0.47	2,062,500	$ 0.48	1,962,500
Options granted	$ 0.25	2,432,500	$ 0.25	100,000
Options exercised	-	-	-	-
Options cancelled	$0.47	(2,062,500)	-	-
Outstanding – end of year	$0.25	2,432,500	$ 0.47	2,062,500
Exercisable - end of year	$0.25	1,962,500	$ 0.47	2,062,500

Subsequent to August 31, 2013, an aggregate of 1,439,500 incentive stock options were granted under the Company's stock option plan and a total of 2,000 incentive stock options have been exercised.

Share Purchase Warrants

On February 19, 2013, as part of the Qualifying Transaction, 1,153,961 share purchase warrants of Gatekeeper were exchanged for common share purchase warrants of Indigo on a 1:1 basis and 5,405,400 Special Warrants were issued to Gatekeeper Class A preferred shareholders. The warrants are convertible into common shares for no additional consideration after 18 months and redeemable before 18 months at $0.37 per share at the option of the Company. The Special Warrants are convertible into Class A preferred shares of Indigo. At August 31, 2013, 116,000 warrants expired and therefore forfeited. During the year ended August 31, 2013, 5,405,400 Special Warrants were converted into Class A preferred shares of Indigo. During the year ended August 31, 2013, the Company issued 675,200 agents' warrants and 4,220,000 share purchase warrants. Agents' warrants and share purchase warrants will expire on February 19, 2014.

Details regarding warrants issued and outstanding are summarized as follows:

	August 31, 2013		August 31, 2012	
	Weighted average exercise price	**Number of shares issued or issuable on exercise**	**Weighted average exercise price**	**Number of shares issued or issuable on exercise**
Outstanding – beginning of year	$0.50	1,014,761	$ -	-
Issuance of special warrants	-	5,405,405	-	-
Issuance of warrants	$0.50	4,895,200	$0.50	1,014,761
Exercise of special warrants	-	(5,405,405)	-	-
Expired	$0.50	(116,000)	-	-
Outstanding – end of year	$0.50	5,793,961	$0.50	1,014,761

Use of Financial Instruments

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

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

Financial risk management

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's trade payables are all current. The Company manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements. Formal senior management meetings address sale levels and monitor obligations and customer credit facilities.

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.

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.

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 90% 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.

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.

Key Management Personnel Compensation

		August 31, 2013		August 31, 2012
Salaries and short-term benefits	$	549,466	$	392,020
Share-based compensation		45,363		8,472
Accounting fees		-		3,300
	$	594,829	$	403,792

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

Trading Related Party Transactions

Trading related party transactions consists of companies owned by officers and/or directors. During the year ended August 31, 2013, the Company incurred $nil (2012 – $16,000) in respect of accounting fees with ZAMD Holdings Ltd. ("ZAMD"), a company controlled by the Chief Executive Officer of the Company.

These transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. The resulting accounts payable and accrued liabilities were payable currently under normal third-party trade payable terms and conditions.

The amounts due to related parties as at August 31, 2013 and 2012 are as follows:

		August 31, 2013		August 31, 2012
Chief Executive Officer	$	100,000	$	14,468
ZAMD		-		16,000
Vice President, Safety and Security Groups		9,567		-
	$	109,567	$	30,468

Other Related Party Transactions

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of Gatekeeper Processing Inc. ("GSIP") at $0.25 per share for a total value of $93,350 included in trade and other payables. The balance owing to these creditors as at January 20, 2012 was $93,350 consisting of principal of $80,000 and accrued interest of $13,350. In addition, the Company made a cash payment of $117,781 consisting of principal and accrued interest of $100,000 and $17,781 to settle amounts owing to one of the creditors of GSIP on February 29, 2012.

On November 24, 2011, the Company issued 48,059 common shares to officers of the Company for a total of $12,015 to settle accounts payable related to services rendered to the Company.

On November 24, 2011, the Company redeemed 100 Class B preferred shares for redemption amount of $1,000 per share for a total of $100,000 from a director and officer of the Company.

On November 24, 2011, the Company issued 400,000 common shares to a director and officer of the Company at $0.25 per share for a total value of $100,000 to offset the aggregate redemption amount of $100,000 of Class B preferred shares.

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, change in product offerings, technology changes and competition.

Warranty reserve

Provisions are made at the time of sale for warranties, which are based on historical experience and are regularly monitored. If estimates for warranties and returns are too low, additional charges could be incurred in future periods and these additional charges could have a material adverse effect on the financial position and results of operations.

Future Changes in Accounting Policies

The International Accounting Standards Board ("IASB") and International Financial Reporting Issues Committee ("IFRIC") has issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended August 31, 2013:

IFRS 9 '*Financial Instruments: Classification and Measurement*' is a new financial instruments standard effective for annual periods beginning on or after January 1, 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

IFRS 10 '*Consolidated Financial Statement* 'is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces consolidation requirements in IAS 27 (as amended in 2008) and SIC-12.

IFRS 11 '*Joint Arrangements*' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces IAS 31 and SIC-13.

IFRS 12 '*Disclosure of Interests in Other Entities*' is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.

IFRS 13 '*Fair Value Measurement*' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces fair value measurement guidance in other IFRSs.

IAS 19 (Amendment) '*Employee Benefits*'is effective for annual periods beginning on or after January 1, 2013 and revises recognition and measurement of post-employment benefits.

IAS 27 (Amendment) '*Separate Financial Statements*' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 (Amendment) '*Investments in Associates and Joint Ventures*' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IAS 32 (Amendment) *'Financial Instruments: Presentation*' is effective for annual periods beginning on or after January 1, 2014 and revises certain aspects of the requirements on offsetting.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

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.

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 profitability. Should these conditions continue to prevail, there will be further pressure on the Company's profitability.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through August 31, 2013 of $7,368,000. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

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, seek additional capital on less favourable terms and/or other remedial measures.

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 remain 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.

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.

Intellectual Property Risks

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

Technological Change, New Products and Standards

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

Intellectual Property Risks

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

Reliance on Information Systems and Technology

The Company's business relies upon information technology systems to service 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 to 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 Advertising Expenditures

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

Product Liability

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

Risk Associated with International Operations

Management of the Company believes that its continued growth and profitability will require expansion of its sales further in the United States and into other foreign markets. This expansion will require significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish additional foreign operations, incur substantial infrastructure costs, hire additional personnel and recruit international resellers. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services. The risk associated with currency fluctuations comprise mainly of the Company's United States denominated sales, component purchases and other expenses. In the future, it is expected that a portion of revenues may be realized in other foreign currencies as a result of international sales. Fluctuations in the exchange rate between the Canadian dollar and other currencies, particularly the United States dollar, may have a material adverse effect on the Company's results of operations, financial condition and any business prospects. The Company may use hedges to mitigate the risk of foreign currency exposure.

Goodwill

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

Key Employees

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

Expansion

The success of the Company's continued expansion will depend upon many factors, including the ability of the Company to maintain acceptable attrition rates and control of operating costs. 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, 2013.

As well, as of the end of the fiscal year ended August 31, 2013, 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, 2013, 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.