GATEKEEPER SYSTEMS INC.
MANAGEMENTS DISCUSSION & ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014

General

This Management's Discussion and Analysis ("MD&A") of Gatekeeper Systems Inc. ("Gatekeeper." "GSI," or the "Company") is dated December 18, 2014 and provides an analysis of Gatekeeper's financial results for the fiscal year ended August 31, 2014 compared to the year ended August 31, 2013 and 2012. The following information should be read in conjunction with the Company's year ended August 31, 2014 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 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 month 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.

Consolidated Statement of Operations	**For the year ended August 31, 2014**	**August 31, 2013**	**August 31, 2012**
Revenue	**$ 4,040,124**	$ 3,839,703	$ 5,152,251
Cost of Sales	**$ 2,493,737**	$ 2,882,018	$ 2,505,030
Gross Profit	**$ 1,546,387**	$ 957,685	$ 2,647,221
Gross Margin	**38%**	25%	52%
Expenses	**$ 3,242,825**	$ 2,930,544	$ 2,210,581
Operating (Loss) Income	**$ (1,696,438)**	$ (1,972,860)	$ 436,640
Net (Loss) Income for the year	**$ (1,665,364)**	$ (2,631,462)	$ 131,365
(Loss) Earnings per share –			
Basic	**$ (0.05)**	$ (0.12)	$ 0.01
Diluted	**$ (0.05)**	$ (0.12)	$ 0.01
Total Assets	**$ 1,636,020**	$ 1,642,389	$ 2,533,840
Total Liabilities	**$ 450,120**	$ 698,155	$ 1,496,740
Total Shareholders' Equity	**$ 1,185,900**	$ 944,234	$ 1,037,100

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 5 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. TIM™ software application connects to the County vehicle database for matching the license plate of the stop arm violator with the vehicle's owner. Tickets or citations are then issued and the entire process can be managed by TIM™.

Gatekeeper Mobile Division has designed its mobile license plate reading 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, as well as monitory of highway speed and lane infraction.

Independent studies project approximately 15 million stop arm violations will occur in 2013[1] in the United States. Average fines ranges from USD $250 to $500 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 over terms of five to ten 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 definition ("HD") Body Worn Cameras
- High resolution day/night cameras designed for extreme rugged environments;
- The industry's first high speed infrared license plate reading sensor system for school buses;
- The industry's broadest range of mobile digital recording devices ranging from 4 to 16 cameras;
- Live or recorded GPS tracking;
- Voice recording on each camera;
- Wireless Downloading – WiFi and Live Streaming;
- G4 Incident Management Software which synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement; and
- TIM™ (Traffic Infraction Management) cloud base software application for managing citations from school bus stop arm violations and photo enforcement systems.

The Company's 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 Gatekeeper's Deep Development Division ("DDC"), the Company focuses law enforcement, maritime, homeland security, defense and oil and gas markets. Under the brand Viperfish® DDC 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 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

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

on the United States Air Force ("USAF") AC-130 Gunships, Sea King helicopters in Canada, and French Navy marine vessels. Under the brand XFORCE^{TM} ("XTREME FORWARD LOOKING OPTICAL RECONNAISSANCE SYSTEM"), Gatekeeper recently launched its High Definition Body Worn Camera in an effort to provide law enforcement and security personnel with a device that captures video and audio of actual events during officers' daily interaction with the public, while safeguarding both police officers and the citizens they are trying to protect.

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

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

Since going public in February 2013, fiscal 2014 was a positive year for Gatekeeper. Revenues in fiscal 2014 improved to $4,040,124 from $3,839,703 in fiscal 2013. Cost of sales in fiscal 2014 was $2,493,737 compared to $2,882,018 in fiscal 2013, representing a 13% reduction. Gross margins in fiscal 2014 improved to 39%, compared to 25% in fiscal 2013, representing a 61% gross profit margin increase. After approximately two years of cost reductions due to cash management measures, the Company's sales pipeline for interior mobile security camera systems are showing signs of improvement and experiencing a positive growth trend.

During fiscal 2014, operating expenses have stayed within management's expectations and operating budgets. Sales and marketing expenses during the year ended August 31, 2014 was $ 1,237,131, compared to $1,117,211 during the year ended August 31, 2013, representing an 11% increase compared to the prior year.
During the year end August 31, 2014, the Company implemented new sales and marketing strategies to strengthen Gatekeeper's brand awareness. The Company re-launched our website to increase online presence to showcase Gatekeeper's full suite of products and software applications for the mobile security marketplace. The Company continued to invest resources towards ongoing business development to grow the sales funnel. Such sales and marketing expenses include travelling, attending and participating in targeted industry tradeshows and exhibitions.

Research and development ("R&D") expenses during the year ended August 31, 2014 was $ 447,885, compared to $495,488 during the year ended August 31, 2013, representing a 10% reduction. R&D expenses are net of Scientific, Research and Experimental Development ("SR&ED") tax refund accrued. During fiscal 2014, the Company accrued a SR&ED tax refund of $113,033, compared to $455,000 during the year ended August 31, 2013. The reduction in SR&ED tax refund received during fiscal 2014 is due to the fact that the Company has operated as a public company since February 2013, as such is no longer eligible to receive the income tax benefits of SR&ED tax refunds which are only available to a Canadian Controlled Private Corporation. As a public company, R&D expenses incurred after February of 2013 are eligible for refundable Investment Tax Credits. Moving forward, the Company will continue R&D to accelerate the enhancements of its XVAULT^{TM} Data Management software application and several other mobile video security hardware designs.

General and administrative ("G&A") expenses during the year ended August 31, 2014 was $1,557,809 compared to $1,317,845 during the year ended August 31, 2013, representing a 22% increase compared to the prior year. The increase to G&A related to the non-cash expenses of share-based payments and public company expenses for legal, accounting and regulatory compliance. Share-based payment expenses during fiscal 2014 were $212,632, compared to $86,377 during fiscal 2013 due to granting of stock options to attract and retain employees, management, and directors.

Overall, the Company's net loss position was significantly reduced by 37% or $966,098. For the year ended August 31, 2014 the net loss was $1,665,364, compared to a net loss of $2,631,462 during the year ended August 31, 2013. Excluding non-cash charges of, $44,450 of depreciation, $136,015 inventory write-down, and $212,632 of share-based payment charges, adjusted net loss was $1,272,266 during the year ended August 31, 2014. The net loss in the year ended August 31, 2013 included one-time charges for listing expenses of $683,038. Excluding the listing expenses, the adjusted net loss for the year ended August 31, 2013 would have been $1,948,424. The term "adjusted net loss" refers to net loss before non-cash charges such as depreciation, inventory write-down, and share based payment expenses. Management believes that adjusted net loss is a useful measure as it provides an indication of operational results of the business from a cash perspective. Adjusted net loss does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Accordingly, investors are cautioned that adjusted net loss should be construed as an alternative to operating loss or net loss determined in accordance with IFRS as an indicator of the Company's financial performance or a measure of its liquidity and cash flows.

As part of the Company's corporate finance strategy, Gatekeeper successfully raised $1,862,382 from over - subscribed private placements during the year ended August 31, 2014. The objective for capital raises is to continue to build sales and distribution, expand business development, product and software development, and facilitate working capital needs.

Selected Quarterly Information

Key financial information for each quarter of the 2014 fiscal year as well as the quarters spanning the two most recently preceding fiscal years is summarized as follows, reported in Canadian dollars:

Summary of Quarterly Results
(Unaudited)

Period	Revenue	Gross Profit	Expenses	Net Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share	Assets	Liabilities	Shareholders' Equity
F2013-Q1	788,592	259,271	513,101	(266,892)	($0.01)	($0.01)	2,156,209	1,390,841	765,369
F2013-Q2[1]	829,868	190,778	696,033	(1,182,283)	($0.07)	($0.09)	2,815,225	601,972	2,213,253
F2013-Q3[1]	942,073	157,919	732,898	(583,510)	($0.03)	($0.03)	1,927,127	297,384	1,629,743
F2013-Q4	1,279,170	599,181	957,622	(598,777)	($0.03)	($0.03)	1,642,389	698,155	944,234
F2013 Total	**3,839,703**	**1,438,223**	**2,930,544**	**(2,631,462)**	**($0.12)**	**($0.12)**	**1,642,389**	**698,155**	**944,234**
F2014-Q1	1,573,799	676,096	916,829	(254,443)	($0.01)	($0.01)	2,503,579	440,361	2,063,217
F2014-Q2	514,928	211,113	831,149	(567,582)	($0.02)	($0.02)	1,782,343	241,951	1,540,392
F2014-Q3	752,988	278,674	805,598	(509,515)	($0.02)	($0.02)	1,363,961	308,174	1,055,787
F2014-Q4	1,198,409	380,504	689,249	(333,824)	($0.01)	($0.01)	1,636,020	450,120	1,185,900
F2014- Total	**4,040,124**	**1,546,387**	**3,242,825**	**(1,665,364)**	**($0.05)**	**($0.05)**	**1,636,020**	**450,120**	**1,185,900**

Note:

1. During the fourth quarter of the year ended August 31, 2013, the Company finalized the accounts associated with the reverse acquisition; as a result the listing expense was adjusted from $689,755 to $683,038. For the comparative three and nine months ended May 31, 2013, net loss was reduced by $nil and $6,717. There is no impact to loss per share in the prior period. The nature and extent of the prior period adjustment is not considered material and has no pervasive impact on the financial statements for the year ended August 31, 2014.

Discussion of Fourth Quarter and Year End Operations

Revenue

Revenue for the fourth quarter of 2014, was $1,198,409, compared to $ 1,279,170 during the comparative period of the prior year, representing a 6% decline. Comparing quarter-on-quarter during fiscal 2014, F2014-Q4 revenues improved 59% from F2014-Q3 and 133% from F2014-Q2. The fourth quarter revenue improvements are the direct result of the completion of many projects that were previously delayed during the F2014-Q2 and F2014-Q3 due to an unusually long winter season and extreme weather conditions experienced by school districts throughout the Northeast and Eastern regions of the United States. Despite extreme weather conditions, the winter months are generally the slowest season for school bus interior camera system projects, compared to the high season months during spring and summer, where school buses would be implementing video security systems in preparation for the next school year.

Revenues for the year ended August 31, 2014 were $ 4,040,124, compared to revenues of $3,839,703 during the year ended August 31, 2013, representing a 5% increase compared to the prior year. The positive growth trend experienced during fiscal 2014 is due to the Company's sales force aggressively marketing and selling the new G series products. New features from the Company's latest G series products, such as the intelligent live streaming video and wireless system (via either WiFi or cellular), bundled with its solid state bus video and GPS technology, and the recording of high resolution video, have been widely accepted by new and existing customers. During the year ended August 31, 2014, the Company completed system installations for several significant bus fleets throughout Canada and the United States, contributing to the overall growth in sales.

The Company will continue to focus on top-line growth as we expand our products and software services to our customers in existing markets, and enter into new markets with our scalable G4 Incident Management Software, high speed mobile license plate reading technologies, together with TIM™ software application, and our newly launched XFORCE™ High Definition Body Worn Camera, with XVAULT™ Data Management software application for law enforcement and private security applications scheduled to launch during the second quarter of fiscal 2015.

Gross Margins

Gross margins for the Company's fourth quarter, three months ended August 31, 2014, were 32%, compared to 27% during the comparative period of the prior year. The current quarter's improvement in gross margins compared to the fourth quarter of the prior year is the result of the write-off the Company's GSX and NiTRO series inventory during the prior year's fourth quarter.

During fiscal 2013, 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.

Overall, gross margins for the year ended August 31, 2014 were 38%, compared to 25% during the year ended August 31, 2013. As the Company moves away from its 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

During the fourth quarter ended August 31, 2014, sales and marketing expenses were $324,772, compared to $344,711 during the same quarter in the prior year, representing a 6% decrease. Comparing quarter-on-quarter, sales and marketing expense remained consistent during F2014-Q1 and F2014-Q2, incurring approximately $295,000 per quarter during the first half of fiscal 2014. Sales and marketing expenses increased to approximately $325,000 per quarter during the last half of fiscal 2014 primarily due to the higher industry tradeshow and exhibition and associated travelling expenses resulting from seasonal timing of key sales and marketing opportunities.

Sales and marketing expenses for the year ended August 31, 2014 were $1,237,131, compared to $1,117,211 for the year ended August 31, 2013, representing a 22% increase. Sales and marketing expenses include sales force remunerations, travelling costs associated with business development, and costs associated with the attendance of attending tradeshows and exhibitions. The Company's strategy is to continue to expand the sales force as it moves into new regions and introduces a full suite of mobile security products and solutions into new markets.

Excluding the Scientific, Research and Experimental Development ("SR&ED") tax refund accrued, R&D expenses were $77,531 during the three months ended August 31, 2014, compared to $594,316 during the three months ended August 31, 2013. During the fourth quarter F2014-Q4, the Company accrued a SR&ED tax refund of $113,033, compared to a SR&ED refund of $455,000 received during for quarter ended F2013-Q4.

R&D expenses, net of SR&ED tax refund accrued, were $447,885 for the year ended August 31, 2014, compared to $495,488 for the prior year. Excluding the SR&ED tax refund received during 2014, total R&D expense decreased 40% during fiscal 2014, compared to fiscal 2013. 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.

During the fourth quarter ended August 31, 2014, G&A expense were $399,979, compared to $504,486 during the three months ended August 31, 2013, representing a 21% decrease. Overall G&A expenses were $1,557,809 for the year ended August 31, 2014, compared to $1,317,845 during the year ended August 31, 2013. The 18% increase in 2014 compared to 2013 is primarily attributed to the share-based payments and public company compliance and administrative expenses. Stock-based compensation increased from $86,377 during fiscal 2013 to $212,632 during fiscal 2014 due to granting of stock options to employees, management, directors, and consultants. Total public company related expenses, such as legal and accounting, regulatory, and investor relations, increased from $115,652 during fiscal 2013 to $238,001 during fiscal 2014. Overall salaries and benefits increased by 5% in fiscal 2014 compared to fiscal 2013 due to the addition of key management and termination and severance benefits.

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[2] . 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 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 a full suite of mobile security products and 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.

Gatekeeper Growth Strategy

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

The Company's current product line allows for expansion into multiple niches whereas the typical mobile video camera configuration is limited to four cameras which limit their ability to expand. The Company provides its customers with the ability to use its G4 Incident Management Software with its mobile video recorders 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 to Calgary HandiBus Association 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[3] . In the USA, the average fine for a stop arm violation range $250 to $500USD. It is illegal in every state in the USA and in every province in Canada to pass a school bus while the bus is stopped and the stop arm is engaged. Recent

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

[3] NASDPTS 2013 Study

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 recently signed a new five-year agreement with a school district in Texas for the sharing of stop-arm ticket violation revenue using its High Speed License Plate Reading Technology and TIM™ (Traffic Infraction Management) software application. 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 launch the next version of its XVAULT™ Video Data Management System for law enforcement applications in the second quarter of fiscal 2015. This new product development and software will allow the end users to add search criteria to its video evidence allowing them to quickly retrieve video from any camera in the field. The Company believes that XVAULT™ data management software application will provide recurring software licensing revenues for the Company in the coming years.

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.

Marketing and Brand Awareness

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

Product Development

The Company revamped its product development and go-to-market strategy 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.

As a result, during the year ended 2014, the Company successfully launched the following new products and software applications:

- **TIM™** (Traffic Infraction Management) software application system for mobile and transit applications, integrates with the Company's high speed mobile license plate reading camera system, utilizes a cloud-based software solution to fully automate violation ticketing and citation issuance and fine collection process; and
- **XFORCE™** High Definition Body Worn Camera for law enforcement and private security applications, together with first iteration of **XVAULT™** Data Management Software System which manages video and long-term data storage, but more importantly, allows users to intelligently tag and search video recorded information.

In the recent year, the Company also launched the following new products, software applications and improvements to existing product lines:

- 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 the 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;
- A new multi infrared sensor system with bi-directional license plate reading capability for school buses; and
- Remote monitory health check system to assist customers maintain systems from Gatekeeper headquarters.

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 Europe, Africa, South America, Australia, and the Asia.

Liquidity and Capital Resources

At August 31, 2014, the Company had cash of $237,796, and working capital of $988,312 compared to $116,104 and $755,199, respectively, at August 31, 2013.

Cash used in operating activities was $1,599,593 for the year ended August 31, 2014 compared to cash used in operating activities of $1,396,462 for the year ended August 31, 2013. The increase in the use of operating cash was primarily attributed to an increase in sales and marketing expenses and public company related costs for the year compared to the year ended August 31, 2013.

Cash received from investing activities was $26,796 for the year ended August 31, 2014 versus $163,634 used for the year ended August 31, 2013. Capital expenditures incurred in the prior year were primarily related to the increase in leasehold improvements due to renovation of the Company's corporate head office. Going forward, the Company expects capital expenditures to increase due to the provision of STUDENT PROTECTOR High Speed License Plate

Reading Camera Systems equipment as part of its Stop-Arm violation ticket revenue sharing arrangements with school districts.

During the year ended August 31, 2014, the Company successfully completed over-subscribed private placements, raising a total of $1,862,382.

On July 31 and August 13, 2014, the Company closed its first and second and final tranches of its non-brokered private placement offerings, by issuing 1,622,500 and 1,318,000 units, respectively, totaling 2,940,500 units, at a price of $0.15 per unit, for total gross proceeds of $441,075. Share issuance costs include agents' commission of $31,778 and issuance of 173,100 agents' warrants. Each unit consists of one common share and one 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.

On September 30 and October 3, 2013, the Company closed its first and second and final tranches of its non-brokered private placement offerings, by issuing 3,784,100 and 1,480,000 units, respectively, totaling 5,264,100 units, at a price of $0.27 per unit, for total gross proceeds of $1,421,307. Share issuance costs include agents' commission of $99,491, $37,213 other issuance costs, and issuance of 368,487 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at $0.35 for a period of 24 months from the date of closing.

The use of proceeds from the financing is for sales and marketing, product and software development, and to facilitate working capital requirements.

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

The Company has a net loss of $1,665,364 for the year ended August 31, 2014 (2013 – $2,631,462) and has a working capital of $988,312 at August 31, 2014 (2013 – $755,199). The Company had cash of $237,796 at August 31, 2014 (2013 – $116,104), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity, which the Company was successful in completing during the year ended August 31, 2014 and prior years. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Contractual Obligations

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

The following table summarizes the current contractual obligations of the Company and associated payment requirements as of August 31, 2014:

Contractual Obligations	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
Operating leases	$ 109,199	$ 109,642	$ 55,067	$ -	$ -	$ 273,908
Trade and other payables	240,960	-	-	-	-	240,960
Accrued liabilities	208,782	-	-	-	-	208,782
	$ 558,941	$ 109,642	$ 55,067	$ -	$ -	$ 723,650

Capital Structure

As at the date of this MD&A, the Company has 46,880,660 common shares issued and outstanding, nil 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	3,603,603	(3,603,603)
Issuance of shares	8,204,600	-
Exercise of stock options	2,000	-
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)
Balance – December 18, 2014	46,880,660	-

On September 2, 2014, pursuant to the Qualifying Transaction completed on February 19, 2013, the remaining 1,801,801 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, 2014 and 2013 were as follows:

	August 31, 2014		August 31, 2013	
	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	$ 0.25	2,432,500	$ 0.47	2,062,500
Options granted	$ 0.25	2,114,500	$ 0.25	2,432,500
Options exercised	$ 0.25	(2,000)	-	-
Options cancelled	$ 0.29	(178,000)	$0.47	(2,062,500)
Outstanding – end of year	$ 0.25	4,367,000	$0.25	2,432,500
Exercisable - end of year	$ 0.25	3,588,375	$0.25	1,962,500

Subsequent to August 31, 2014, an aggregate of 495,000 incentive stock options were granted under the Company's stock option plan, a total of nil incentive stock options have been exercised, and a total of 175,000 incentive stock options have been cancelled.

Share Purchase Warrants

During the year ended August 31, 2014, the Company extended the previous exercise period of the 4,220,000 share purchase warrants for an additional 12 months, to February 19, 2015. Under IFRS 2 'Share-based payment', the extension of the exercise period was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Company is required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was $5,041, calculated as the difference between the total fair value of the modified share purchase warrants and the total fair value of the original share purchase warrants on February 19, 2013.

In connection with the non-brokered private placements issued during the year ended August 31, 2014, the Company issued 5,572,550 share purchase warrants and 541,587 agents' 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.

Details regarding warrants issued and outstanding during the year ended August 31, 2014 and 2013 are summarized as follows:

	August 31, 2014		August 31, 2013	
	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	5,793,961	$0.50	1,014,761
Issuance of special warrants	-	-	-	5,405,405
Issuance of warrants	$0.30	6,114,137	$0.50	4,895,200
Exercise of special warrants	-	-	-	(5,405,405)
Expired	$0.50	(1,573,961)	$0.50	(116,000)
Outstanding – end of year	$0.38	10,334,137	$0.50	5,793,961

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

	Exercise price	**Number of warrants**	**Expiry date**
Share purchase warrants	$0.50	4,220,000	February 19, 2015
Agents' warrants	$0.35	264,887	September 30, 2015
Share purchase warrants	$0.35	1,892,050	September 30, 2015
Agents' warrants	$0.35	103,600	October 3, 2015
Share purchase warrants	$0.35	740,000	October 3, 2015
Agents' warrants	$0.25	74,250	July 27, 2016
Share purchase warrants	$0.25	1,622,500	July 27, 2016
Agents' warrants	$0.25	98,850	August 13, 2016
Share purchase warrants	$0.25	1,318,000	August 13, 2016
		10,334,137	

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.

(a) Key Management Personnel Compensation

		August 31, 2014		August 31, 2013
Salaries and short-term benefits	$	448,397	$	549,466
Share-based compensation		118.207		45,363
	$	566,604	$	594,829

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

(b) The amounts due to related parties as at August 31, 2014 and 2013 are as follows:

		August 31, 2014		August 31, 2013
Chief Executive Officer	$	628	$	100,000
Vice President, Safety and Security Groups		-		9,567
	$	628	$	109,567

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 Chief Executive Officer and Vice President of Safety and Security Groups are non-interest bearing, unsecured and due on demand. 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.

(c) Other related party transactions

During the year ended August 31, 2014, the Company entered into an agreement to loan $43,700 (2013 - $nil) to the Chief Executive 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, 2014 was 1%. The loan is unsecured and repayable upon written notice given to the Company.

At August 31, 2014, certain members of senior management has 3,944,449 common shares of the Company remaining in escrow pursuant to the Qualifying Transaction dated February 19, 2013.

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.

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.

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, 2014:

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 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTP, financial guarantees and certain other exceptions. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

IFRS 15 'Revenue from contracts with customers' is the final standard on revenue from contacts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning after December 15, 2016 for public entities with early adoption not permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance.

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 consolidated financial position and financial performance of the Company.

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 consolidated 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 events such as the recent global credit and financial crisis and its impact 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 negatively impacted the Company's profitability. Should these conditions such as these exist or continue to prevail, there will be further negative 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, seeking 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 foster 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.

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 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 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 Sales and Marketing Expenditures

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

Product Liability

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

Risk Associated with International Operations

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

Goodwill

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

Key Employees

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

Expansion

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

Available Workforce

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

Possible Adverse Effect of Future Government Regulations

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

Disclosure Controls and Procedures

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

The CEO and CFO have evaluated and concluded that the Company's disclosure controls and procedures are adequate and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiary, would have been known to them as of the fiscal year ended August 31, 2014.

As well, as of the end of the fiscal year ended August 31, 2014, 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, 2014, 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.