GATEKEEPER SYSTEMS INC.
MANAGEMENTS DISCUSSION & ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017

General

This Management's Discussion and Analysis ("MD&A") of Gatekeeper Systems Inc. ("Gatekeeper," "GSI," or the "Company") is dated December 29, 2017 and provides an analysis of Gatekeeper's financial results for the fiscal year ended August 31, 2017 compared to the year ended August 31, 2016. The following information should be read in conjunction with the Company's year ended August 31, 2017 consolidated financial statements with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

Description of Business

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

On February 19, 2013, the Company completed the acquisition of all of the issued and outstanding shares of the private company, GSI Systems Inc. ("GSI") through a reverse takeover arrangement (the "RTO"), constituting its Qualifying Transaction under the applicable policies of the TSX Venture Exchange ("TSX-V"). Upon completion of the RTO, the shareholders of GSI obtained control of the consolidated entity. Under the purchase method of accounting, GSI has been identified as the acquirer, and accordingly the entity is considered to be a continuation of GSI with the net assets of the Company at the date of the RTO deemed to have been acquired by GSI. As a result, these consolidated financial statements are a continuation of the financial statements of GSI and references to the "Company" or "Gatekeeper" will mean the combined entity subsequent to the date of the Qualifying Transaction and to GSI prior to that date. On May 28, 2013, Indigo changed its name to Gatekeeper Systems Inc. and its trading symbol on the TSX-V to "GSI".

Gatekeeper provides innovative, end-to-end high definition surveillance solutions for mobile applications including school buses, transit buses, law enforcement vehicles, body cameras, transport vehicles, military and coast guard aircraft.

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

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

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

Selected Financial Information

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

	For the years ended		
	August 31, 2017	**August 31, 2016**	**August 31, 2015**
Revenue	**$ 7,605,107**	$ 9,899,875	$ 5,943,773
Cost of Sales	**$ 3,753,445**	$ 4,848,332	$ 3,250,899
Gross Profit	**$ 3,851,662**	$ 5,051,543	$ 2,692,874
Gross Margin	**51%**	51%	45%
Expenses	**$ 3,949,476**	$ 4,243,305	$ 3,740,182
Operating Income (Loss)	**$ (97,814)**	$ 808,238	$ (1,047,308)
Net Income (Loss) for the year	**$ (331,759)**	$ 695,566	$ (920,796)
Earnings (Loss) per share –			
Basic	**$ (0.00)**	$ 0.01	$ (0.02)
Diluted	**$ (0.00)**	$ 0.01	$ (0.02)
Total Assets	**$ 8,871,139**	$ 4,549,330	$ 3,322,309
Total Liabilities	**$ 825,991**	$ 1,034,998	$ 759,839
Total Shareholders' Equity	**$ 8,045,148**	$ 3,514,332	$ 2,562,470

Overview

Gatekeeper provides innovative, end-to-end high definition safety and security solutions for mobile applications including school buses, police vehicles, transit buses, transport vehicles, law enforcement officers, military aircraft and coast guard patrol vessels.

Gatekeeper products provide a 360 degree view inside and outside vehicles. Each system integrates high definition video with GPS for real time vehicle location, time, date and telematics data. All data is recorded to a military standard digital recording system located inside the vehicle. Gatekeeper cameras transmit high definition video in day or night conditions for collecting evidence including license plates of stop arm violators. Gatekeeper wireless devices provide real time connectivity streaming video and track vehicles. Gatekeeper video management software can be used as a desktop application for managing basic incidents or its enterprise software can be used to stream live video from any vehicle anywhere anytime.

A key component of our core strategy is to conduct research and development activities to develop platforms as service offerings for our customers. We believe that creating superior products with integrated third party software and hardware will deliver valuable solutions that meet our customers' requirements and drive future growth. We also believe there is significant value in the data our mobile devices collect and part of our core strategy is to continue to evolve our software applications for managing that data. This is a key component to the Company's long term strategy to transition parts of our business to software as a service revenue model.

Our products are sold directly to end user customers and through a network of distributors and system integrators who have relationships with customers in multiple mobile markets. Our main focus is on the North American market with widening interest from international partners.

The Gatekeeper brand is one of the leaders in K-12 (Kindergarten to Grade 12) market which includes approximately 550,000 school buses with an average of 25,000 to 50,000 school buses manufactured each year. Gatekeeper technology platforms are used for recording incidents inside and outside school buses. For recording inside school buses, the platform integrates high definition video with GPS, voice, live streaming, WiFi and vehicle sensors recorded to an onboard military grade high definition digital video recorder. Our software synchronizes video, date and time, voice, vehicle sensors such as activation of stop arms, signals, brake and warning lights, door switches or other electronic sensors. The synchronized data is then displayed on Gatekeeper's video management software allowing customers to find, save and share evidence quickly and easily. The software provides a blurring feature that allows end users to protect the privacy of individuals not related to the incident by covering up faces during the video clipping process. This results in the Company's video management software being used as an effective tool to help end users better manage incidents and evidence with speed and accuracy thus saving significant time and money.

The Company's high definition platform records up to twelve cameras, all of which are displayed on the Company's video management software. Command and control centers can be set up giving end users the ability to download video over WiFi or live streaming. Integrated GPS with video provides a total operating picture of where the buses are located and what is happening on each bus in real time. Law enforcement can be given permission to access live video from each bus allowing them to react quickly to critical incidents or suspicious behavior that could put children's lives at risk.

Gatekeeper's high definition platform is also used to protect children from deadly stop arm violations which occur when buses are stopped, the stop arm is engaged and children are getting on or off the school bus. Gatekeeper's high speed license plate reading system attaches to the outside of the school bus and records evidence required to prosecute stop arm violators. Recent legislation in some States and Provinces allow authorities to use video from a school bus video system as evidence to issue a citation. The Company's program is called "STUDENT PROTECTOR" and includes a cloud based software application trade named TIMS™ (Traffic Infraction Management System) that connects to the vehicle owner database and manages the entire citation cycle. The STUDENT PROTECTOR™ program was designed to reduce dangerous activity and save children's lives. The average citation is estimated to be between $250 USD and $500 USD. It is estimated that over 13 million stop arm violations occurred in 2015 in the United States. One of Gatekeeper's business models is to provide the system free of charge to the school district and share revenue from citations with the school districts and counties. The Company believes its technology could be applied to other video enforcement scenarios as cities and counties become aware of the capability of its technology to share revenue while increasing safety and reducing cost of operations. The Company's sales model for its video enforcement platform was designed to allow counties and cities to pay for the technology from the citations collected from the drivers involved in the incidents rather than from taxpayers who are not breaking the law.

Gatekeeper's high definition mobile video platform is also being expanded into transit, transport and law enforcement. Forward facing cameras provide the high definition imagery required to determine cause of an accident. This information can be used to protect drivers or settle legal disputes before costs escalate using hard evidence. Video integrated with GPS, time and date and other vehicle sensors is becoming a more common means of providing evidence as well as valuable information to streamline operations.

With these technologies, our clients are armed with the right tools to detect, analyze, and respond to safety and security threats anytime.

The Company's products can be sold independently or as a total end-to-end solution including the following components and/or features:

- High definition ("HD") Body Worn Cameras;
- High resolution day/night cameras designed for extreme rugged environments;
- The industry's first high speed infrared license plate reading sensor system for school buses;
- The industry's broadest range of mobile digital recording devices ranging from 4 to 16 cameras;
- Live or recorded GPS tracking;
- Voice recording on each camera;
- Wireless Downloading – WiFi and Live Streaming;
- G4 Incident Management Software synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement; and
- TIMS™ (Traffic Infraction Management System) cloud base software application for managing citations from school bus stop arm violations and photo enforcement systems.

The Company's products can be applied to law enforcement, maritime, homeland security and defense markets. Under the brand Viperfish®, digital recorders are built to meet various military specifications and are used to record video and metadata from forward looking infrared cameras, radar and high definition cameras. Post-mission analysis software is used to analyze tactical operations recorded to the Viperfish® recorders. The Company's Viperfish® high definition airborne digital video recorders are currently being used by the United States Air Force ("USAF") to record long range sensors used on the AC-130 Gunships, Sea King helicopters in Canada, and French Navy marine vessels. The Company's brand XFORCE™ includes body cameras and in car video systems for law enforcement, prisoner vehicles and other public safety applications.

Overall Performance

Gatekeeper achieved revenue for the year ended August 31, 2017 of $7,605,107 as compared to $9,899,875 for the year ended August 31, 2016, which is in a decrease of 23%.

Net loss for the year ended August 31, 2017 was $331,759 (-$0.00 per share) compared to a net income of $695,566 ($0.01 per share) for the year ended August 31, 2016, which is in a decrease of 148%.

Cost of sales in fiscal 2017 was $3,753,445 compared to $4,848,332 in fiscal 2016, representing a 23% decrease. Gross margins as a percentage of revenue in fiscal 2017 remained at 51%, consistent with 51% in fiscal 2016, representing no change.

The Company increased its sales efforts during the second half of the year and while sales realized during the year were well below expectations, the Company entered fiscal 2018 with a 300% increase in projects identified as compared to a year ago. The Company continues to experience demand for wireless projects which includes the Company's AUTOWAKE and live streaming video and it expects to continue to add revenue in future quarters. The Company's unique wireless features allow customers to more easily manage their video by accessing video from remote locations. The company is pursuing additional third-party software solution and service providers as potential partners in creating enhanced products and solutions including student tracking, bus tracking, route and mapping, GPS and other partners that may enhance business.

The Company continues to have access to its credit facility with a prominent United States lender for up to $1.5 million USD negotiated in May of 2016. The non-dilutive financing provides the Company with working capital to fund inventory and operating expenses in a timely manner. The Company is confident that production can be ramped up to meet expected demand.

Overall operating expenses were $3,949,476 for the year ended August 31, 2017 compared to $4,243,305 during the prior year, representing an 7% decrease. The majority of the operating expense decrease was in the areas of general and administrative and research and development.

During fiscal 2017, operating expenses remained within management's expectations and operating budgets. Selling and marketing expenses ("S&M") during the year ended August 31, 2017 was $1,627,833 compared to $1,662,540 during the year ended August 31, 2016, representing a 2% decrease. S&M expenses are comprised of sales salaries, commissions and direct selling expenses. We expect to continue current levels of sales and marketing expenditures or increase them as required as we work to build out Gatekeeper's brand and awareness to increase sales.

General and administrative ("G&A") expenses during the year ended August 31, 2017 were $1,534,272 compared to $1,743,396 during the year ended August 31, 2016, representing a 12% decrease. The decrease in G&A expenses relate to decreased consulting fees, interest on the revolving line of credit, investor relations and share-based compensation.

Research and development ("R&D") expenses during the year ended August 31, 2017 were $787,371, compared to $837,369 during the year ended August 31, 2016, representing a 6% decrease. Salaries decreased by $70,000 and other expenses increased by approximately $20,000. Moving forward, the Company will continue R&D to accelerate new product features in its core business. The company plans to increase product development activity on its core products as well its remote data management services including stop arm violation business.

For the year ended August 31, 2017, net loss was $331,759, compared to a net income of $695,566 during the year ended August 31, 2016. Excluding non-cash charges of $50,469 for depreciation and impairment, $44,990 inventory write-down, and $119,395 share-based payment charges, the adjusted net loss was $116,905 for the year ended August 31, 2017, as compared to an adjusted net income of $997,022 for the year ended August 31, 2016. The term "adjusted net income (loss)" refers to net income (loss) before non-cash charges such as depreciation, inventory write-down, and share-based payment expenses.

As part of the Company's corporate finance strategy, Gatekeeper successfully raised $4,256,000 from over-subscribed private placements during the year ended August 31, 2017. The Company will continue to assess its capital needs, but believes its current working capital is sufficient. The need for additional capital in the form of equity is not required unless there is a defined event or combination of events that require additional financing.

Selected Quarterly Information

Key financial information for each quarter of the 2017 fiscal year as well as the last four quarters spanning the most recently preceding fiscal year is summarized as follows, reported in Canadian dollars:

	F2016-Q1 Nov 30 2015	F2016-Q2 Feb 29 2016	F2016-Q3 May 31 2016	**F2016-Q4 Aug 31 2016**	F2017-Q1 Nov 30 2016	F2017-Q2 Feb 28 2017	F2017-Q3 May 31 2017	**F2017-Q4 Aug 31 2017**
	$	$	$	**$**	$	$	$	**$**
Revenue	955,574	1,726,008	3,103,333	**4,114,960**	1,364,541	1,314,495	2,274,528	**2,651,543**
Gross Profit	436,967	902,696	1,541,440	**2,170,440**	572,947	674,745	1,183,068	**1,420,902**
Expenses	1,034,589	881,126	1,035,642	**1,291,948**	893,770	920,420	1,050,846	**1,084,440**
Net Income (Loss)	(577,247)	66,024	322,078	**884,711**	(277,200)	(308,143)	139,508	**114,076**
EPS (Basic)	(0.01)	0.00	0.01	**0.01**	(0.00)	(0.00)	0.00	**0.00**
EPS (Diluted)	(0.01)	0.00	0.01	**0.01**	(0.00)	(0.00)	0.00	**0.00**
Assets	2,433,963	3,003,596	3,362,720	**4,549,330**	3,932,425	3,833,828	8,655,985	**8,871,139**
Liabilities	444,377	886,164	922,218	**1,034,998**	648,488	580,716	735,150	**825,991**
Shareholders' Equity	1,989,586	2,117,432	2,440,502	**3,514,332**	3,283,937	3,253,112	7,920,835	**8,045,148**

Discussion of Fourth Quarter and Year End Operations

Revenue

Revenue for the fourth quarter of fiscal 2017 was $2,651,543 compared to $4,114,960 during the comparative period of the prior year, representing a 36% decrease. The Company's sales funnel has grown compared to last year at this time but the timing of securing purchase orders was off projection because of events outside the company's control causing lower than anticipated sales for the fourth quarter.

Revenues for the year ended August 31, 2017 were $7,605,107, compared to revenues of $9,899,875 during the year ended August 31, 2016, representing a 23% decrease compared to the prior year.

The company's win loss percentage on projects in its sales funnel were within a comparative range to 2016. Several projects identified as high probability remain active in the sales funnel because of customers' changes in budget priorities last year have delayed purchasing. The company has not changed its probability rating on these projects and will aggressively pursue them in 2018. The company landed 70 new customers in 2017 from its direct selling program compared to 54 new customers in 2016. Revenue from the 70 new customers totaled $836,438 compared to $1,968,160 from the 54 new customers in 2016. Increase in new customers with a decrease in revenue indicates potential for future revenue from these new customers as their budgets allow them to order more systems. The company is experiencing more interest in its products as it increases sales activity in different geographic regions.

The company has added inside and outside sales personnel as well as additional support for its contract processing, engineering and accounting teams. The company is aggressively pursuing industry experienced senior level managers and added industry experience to its Board of Directors.

Gross Margins

Gross margins for the Company's fourth quarter ended August 31, 2017, were 54%, compared to 53% during the comparative period of the prior year. The cost of sales consists mainly of materials and components, manufacturing labour, inventory write-off, warranty expenses, freight and shipping, and other selling costs. The decrease was mainly attributable to the revenue mix which included a higher proportion of lower margin service revenue during the quarter.

Overall, gross margins for the year ended August 31, 2017 were 51%, compared to 51% during the year ended August 31, 2016.

Operating Expenses

Overall operating expenses were $3,949,476 for the year ended August 31, 2017 compared to $4,243,305 during the prior year, representing an 7% decrease. The majority of the operating expense decrease was in the areas of general and administrative and research and development expenses. Operating expenses were $1,084,440 for the fourth quarter ended August 31, 2017, compared to $1,291,948 during the same quarter in the prior year, representing a 16% decrease.

During the fourth quarter ended August 31, 2017, General and Administrative ("G&A") expenses were $406,610, compared to $598,180 during the fourth quarter ended August 31, 2016, representing a 32% decrease. Overall G&A expenses were $1,534,272 for the year ended August 31, 2017, compared to $1,743,396 during the year ended August 31, 2016, representing 12% decrease. The decrease is primarily attributable to lower consulting fees, interest on the revolving line of credit, investor relations costs, and share-based compensation. G&A as a percentage of sales has decreased to 15% for the fourth quarter and 20% for the comparative period last year. For the year ended August 31, 2017 the percentage of sales has increased, improving from 20% and 18% for the year ended August 31, 2016. The percentage of G&A expenses increase is due to lower revenue in 2017 compared to 2016.

For the three months ended August 31, 2017, sales and marketing expenses were $472,933, compared to $489,043 during the same quarter in the prior year, representing a 3% decrease. Selling and marketing expenses for the year ended August 31, 2017 were $1,627,833, compared to $1,662,540 during the year ended August 31, 2016, representing a decrease of 2%. Sales and marketing expenses as a percentage of sales has increased, to 18% for the fourth quarter compared to 12% for the same period last year. For the year ended August 31, 2017, the sales and marketing expenses as a percentage of sales was 21% compared to 17% for the year ended August 31, 2016. Selling and marketing ("S&M") expenses are comprised of sales salaries and commissions and direct selling expenses. The percentage of sales and marketing expenses increase is due to lower revenue in 2017 compared to the 2016. The company has released sales personnel because of poor performance and added new sales people. In addition the company eliminated certain consulting costs associated with its law enforcement products in an effort to put more direct sales focus on its core school bus business as well as the transit market.

Research and development ("R&D") expenses were $204,897 during the three months ended August 31, 2017, compared to $204,725 during the same period in prior fiscal year, representing a 0% decrease. For the year ended August 31, 2017, research and development ("R&D") expenses were $787,371 compared to $837,369 during the year ended August 31, 2016. R&D expenses as a percentage of sales has increased to 8% in the fourth quarter of fiscal 2017 year compared to 5% for the fourth quarter of fiscal 2016 year, primarily due to the decrease in revenue. For the year ended August 31, 2017, R&D expenses as a percentage of sales was 10% compared to 8% in 2016 due to the decrease in revenue compared to the prior year. The Company expects to expand R&D to enhance various technological features of several mobile video security products lines.

Outlook

According to IHS Inc., a global information and research provider, the global market for video surveillance equipment was estimated to be USD$15 billion, annually, at the end of 2014, up from USD$13.5 billion in 2013. In 2018, worldwide revenue is projected to be USD$23.6 billion, equating to a 5-year compound annual growth rate of 12%[1].

While each niche mobile market may have different product and service requirements, a consistent foundation to an overall safety and security system for all niche markets is good quality video. High definition video integrated with GPS, vehicle sensors, audio, time and date provide is an important part of the operational backbone for transportation managers to improve safety and security in their fleet.

Gatekeeper's vision is to be a data collector providing its customers with software that helps them manage the data its devices collect. Student tracking, stop arm violations, people counting, bus tracking, facial recognition, 360 degree warning sensor systems are all areas of future growth for the company.

Gatekeeper stop arm camera solution was its first conduit to a recurring revenue model by way of sharing in ticket or citation revenue collected from stop arm violators. In the future, Gatekeeper plans to offer customers multiple services including video management, driver analysis and other services that integrate video with operation data that delivers a positive return on investment for transportation companies.

As the company grows it anticipates on executing an aggressive strategy to begin managing multiple data packages its systems collect that deliver different value propositions depending on customer requirements.

The company's distribution strategy will be to continue a combination of direct selling and partnering with key dealers that possess the capability to execute on wireless and networking projects. The R&D strategy will be to target more software engineers as the company evolves to manage data by way of recurring revenue models. Certain operations will remain in Canada but expansion to the United States may occur in 2018 as the company expands its business..

Gatekeeper's Growth Strategy

The Company's goal is to become the market leader in the mobile video segment, by providing its customers with superior products through world class innovation. A component of the growth strategy is understanding niche market requirements and designing specific features to meet them, as well as supporting local sales and service programs.

The Company has expanded its product line to include both high definition IP cameras and high definition analog cameras which can be applied to any mobile niche market including school and transit buses, law enforcement vehicles, prisoner vehicles, .. The Company provides its customers with the ability to use its G4 Incident Management Software with its mobile video recorders which can have 4, 8 or 12, 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 software can connect and monitor any recorder over wireless networks anywhere in the world. This provides live streaming video for our customers to deal with emergency situations or monitor the health of their assets and cargo from remote locations. The G4 software is also capable of fusing fixed site surveillance cameras with its mobile video camera systems providing one common operating picture.

This fiscal year, approximately 83% of the Company's sales are from the United States. Our Canadian customer base is growing with more interest in the Company's technology for both inside and outside buses and other vehicles.

In the United States during a one day test of which school districts in 30 States participated: approximately 78,000 stop arm violations were witnessed and recorded representing approximately 14 million stop arm violations expected to happen in 2017.[1]. In the USA, depending on the State law, the average fine for a stop arm violation range from $250 to $500 USD. It is illegal in every state in the USA and in every province in Canada to pass a school bus while the bus is stopped and the stop arm is engaged. States that have not passed legislation allowing video enforcement systems require law enforcement officers to witness the incident in order to issue a citation. Recent deaths and near misses of children while loading and offloading school buses have driven new legislation that allows authorities to use video recording from the Company's license plate reading system as evidence to issue tickets. The Company recognized this new trend two years ago and initiated the development of a cloud-based software application that adds automatic license plate recognition in the Cloud, integrates with County Vehicle Databases, in the USA, and manages the entire ticketing process. The Company is currently working on many projects, at various stages, and is in discussion with numerous law enforcement agencies to define workflow and revenue sharing structures generated from the tickets issued. The Company is experiencing growing inquiries, requests for tests, and evaluation programs for its stop-arm video enforcement application and has currently installed and launched pilot programs for over 20 school districts. The Company is anticipating more revenue from its stop arm camera business in fiscal 2018.

International

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

Marketing and Brand Awareness

The Company has participated in numerous trade shows in various countries that have led to many meetings and presentations with potential customers. The Company has recently adopted social media to better connect and interact with customers and prospects. The Company launched a new public relations campaign distributing case studies, press and product releases to prospects across North America to increase awareness about successful projects and new technology launches by the Company.

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[1] NASDPTS 2016 Study

Product Development

The Company leverages in-house product management and software development engineering with outsourced hardware design. The majority of coding for large scale software development projects such as Gatekeeper's cloud based software application is outsourced, however, the Company retains full ownership of the Intellectual Property. The company continues to add new features to its cloud based traffic infraction software application. It's been designed a platform as a service allowing the company to add features for new markets such as transit application to issue notices or citations for parking violators that park in bus lanes causing schedule delays.

During the 12 month period Gatekeeper updated three of its Digital Video Recorder (DVR) offerings to include support for analog high definition (AHD) cameras (304SD1a, 504HD1a and the 508HD4a). The addition of AHD support was achieved without any end user price increase while maintaining product margins. Gatekeeper also added 720p and 1080p analog high definition cameras to its 3 best-selling camera lines. Gatekeeper now offers a complete line of analog standard definition, IP high definition and analog high definition (AHD) cameras. A key advantage of Gatekeepers analog high definition systems (AHD) is that they allow customers to implement high definition video with very modest price increase over standard definition DVR systems. The pricing for AHD cameras is significant more competitive than equivalent IP high definition cameras.

The company launched a new multilane high definition video camera license plate reading system at the Georgia State Conference for its stop arm camera system.

On June 5, 2017, the Company announced that its Transit Video Surveillance system is to be installed on all transit buses of the St. John's Transportation Commission through HiTech Communications, who has been selected as the successful bidder on the Mobile Bus Camera Surveillance System tender which closed in early 2017.

The size of the contract which was awarded to Gatekeeper dealer partner, HiTech Communications, was $306,000 CDN. A total of 55 vehicles including NOVA transit buses are to be outfitted with Gatekeeper's eight camera system including integration of vehicle sensors. Gatekeeper's video management software will be used to manage incidents recorded by Gatekeeper's digital video recorder.

On October 2, 2017, the Company completed the installation of 15 Student Protector™ multi-lane stop-arm video enforcement cameras equipped with TIM™ (Traffic Infraction Management) technology on Chattooga County School District's school buses.

Liquidity and Capital Resources

At August 31, 2017, the Company had cash and cash equivalents of $6,312,093 and working capital of $7,840,380 compared to $898,331 and $3,358,577, respectively, at August 31, 2016.

Cash from operating activities was $1,029,744 for the year ended August 31, 2017, compared to cash used in operating activities of $612,420 for the year ended August 31, 2016. The increase is attributable to working capital, primarily the timing of receipts of trade receivables, which is partially offset by payment of trade payables for the year ended August 31, 2017.

Cash used in investing activities was $168,411 for the year ended August 31, 2017, which was primarily related to purchase and disposal of property, plant and equipment and increase in restricted cash, compared to $47,155 for the year ended August 31, 2016. Restricted cash increased due to increased credit card corporate limit requiring additional secured GICs and term deposits.

Cash from financing activities was $4,665,219 for the year ended August 31, 2017, which was primarily related to the issuance of common shares, line of credit and the exercise of warrants, compared to $397,255 for the year ended August 31, 2016.

On May 3, 2017, the Company closed its non-brokered private placement of 21,280,000 units for gross proceeds of $4.256 million. Each Unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable at $0.30 for a period of 24 month from the date of issue.

Proceeds of the Offering will be used for expansion of sales, its stop-arm camera business, marketing and operations staff, and general working capital. Finder's fees issued in connection with the Offering totaled $28,800 in cash and the issuance of 828,600 finder's shares, the fair value of the finder's shares is $219,579.

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

(a) On average borrowings during the preceding month not exceeding the availability formula based on eligible receivables, the interest rate is prime rate plus 3.25%;
(b) On average borrowings during the preceding month exceeding the availability formula based on eligible receivables, the interest rate is prime rate plus 3.50%;
(c) On any borrowings on any day exceeding the availability formula based on both eligible receivables and inventory, the interest rate is prime rate plus 6.50%; and
(d) Prime rate must not be less than 3.50%.

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

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

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

As of August 31, 2017, amount payable was $259,294.

The consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") as at August 31, 2017 and 2016 and for the years then ended have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a net loss of $331,759 for the year ended August 31, 2017 (2016 – net income of $695,566) and has a working capital of $7,840,380 at August 31, 2017 (2016 – $3,358,577).

The Company had cash and cash equivalents of $6,312,093 at August 31, 2017 (2016 – $898,331), 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. 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.

Contractual Obligations

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

The following table summarizes the current contractual obligations of the Company and associated payment requirements as of August 31, 2017:

Contractual Obligations	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Operating leases	$ -	$ 146,041	$ 138,519	$ 138,519	$ 135,008	$ 67,344	$ 625,431
Trade and other payables	143,544	-	-	-	-	-	143,544
Accrued liabilities	421,310	-	-	-	-	-	421,310
	$ 564,854	$ 146,041	$ 138,519	$ 138,519	$ 135,008	$ 67,344	$ 1,190,285

a) The Company has entered into various operating lease contracts for office space and office equipment. The future minimum payments under these leases as at August 31, 2017 are as follows:

2018	$	146,041
2019		138,519
2020		138,519
2021		135,008
Thereafter		67,344
	$	625,431

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

c) The Company is involved in a dispute over the termination of a contract dated September 15, 2015 by the contractor for investor relation services. Management is of the opinion that this dispute is without merit and a provision of $36,000 has been made in the financial statements for the year ended August 31, 2016 related to this matter. Subsequent to the year ended August 31, 2017, the dispute was resolved.

d) The Company derives its revenue from the sale of products in various tax jurisdictions, which are subject to various Canadian and foreign federal and provincial laws and regulations governing taxes. These laws and regulations are continually changing. The Company believes its operations are materially in compliance with all applicable laws and regulations. There is no guarantee that the Company's chosen tax position will not be challenged by tax authorities in these jurisdictions.

Capital Structure

As at the date of this MD&A, the Company has 87,597,144 common shares issued and outstanding, nil Class A preferred shares outstanding.

	Common Shares	**Class A Preferred Shares**
Balance – August 31, 2015	62,973,495	-
Shares issued for exercise of options	400,000	-
Balance – August 31, 2016	63,373,495	-
Private placement	21,280,000	-
Finder's fee	828,600	-
Shares issued for exercise of warrants	2,115,049	-
Balance – August 31, 2017 and December *, 2017	87,597,144	-

During the year ended August 31, 2017, the Company issued 2,115,049 common shares related to the exercise of 2,115,049 share purchase warrants at an exercise price of $0.25 per share.

On May 3, 2017, the Company closed its non-brokered private placement of 21,280,000 units for gross proceeds of $4.256 million. Each Unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable at $0.30 for a period of 24 month from the date of issue. All warrants issued in connection with this financing are subject to an acceleration clause. If the closing price of the Company's shares is at or above $0.40 per share for a period of ten (10) consecutive days during the exercise period, the Company may accelerate the expiry date of the warrant to 30 calendar days from the date express written notice is given by the Company to the holder.

Proceeds of the Offering will be used for expansion of sales, its stop-arm camera business, marketing and operations staff, and general working capital. Finder's fees issued in connection with the Offering totaled $28,800 in cash and the issuance of 828,600 finder's shares, the fair value of the finder's shares is $219,579.

During the year ended August 31, 2016, the Company issued common shares as follows:

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

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

During the year ended August 31, 2015, the Company issued common shares as follows:

(i) On August 13, 2015, the Company has issued 250,000 common shares to Davis Research Corp. at a deemed price of $0.15 per unit, based on the achievement of a certain milestone as specified within the agreement.

(ii) On July 16 and 28, 2015, the Company closed non-brokered private placement offerings, by issuing 13,139,501 units, at a price of $0.15 per unit, for total gross proceeds of $1,970,925. Share issuance costs include cash commission of $132,137 and issuance of 880,913 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at $0.25 for a period of 24 months from the date of closing.

(iii) On March 5, 2015, the Company closed its third and final tranche of its non-brokered private placement offerings, by issuing 953,334 units, at a price of $0.15 per unit, for total gross proceeds of $143,000. Share issuance costs include issuance of 57,200 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at $0.25 for a period of 24 months from the date of closing.

(iv) On February 5 and 26, 2015, the Company closed its first and second of its non-brokered private placement offerings, by issuing 1,250,000 and 500,000 units, respectively, totaling 1,750,000 units, at a price of $0.15 per unit, for total gross proceeds of $262,500. Share issuance costs include agents' commission of $23,850, legal and regulatory cost of $8,187, and issuance of 97,800 agents' warrants. Each unit consists of one common share and one half share purchase warrant. Each full warrant and agents' warrants is exercisable at $0.25 for a period of 24 months from the date of closing.

(v) On September 2, 2014, pursuant to the Qualifying Transaction completed on February 19, 2013, 1,801,802 Class A preferred shares were converted into common shares of the Company.

Stock Options

On February 19, 2013, pursuant to the Qualifying Transaction all issued and outstanding stock options of Gatekeeper were cancelled and stock options of Indigo were reissued. Under the current stock option plan a maximum of 10% of the total issued and outstanding common shares of the Company are reserved for issuance.

The changes in stock options during the year ended August 31, 2017 were as follows:

	Weighted average exercise price	**Number of shares issued or issuable on exercise**
Balance – August 31, 2015	$0.24	4,362,000
Stock options granted	$0.17	2,896,250
Stock options exercised	$0.15	(400,000)
Options cancelled	$0.25	(1,170,000)
Balance – August 31, 2016	$0.21	5,688,250
Options cancelled	$0.20	(25,000)
Balance – August 31, 2017	$0.21	5,663,250

During the year ended August 31, 2017, the Company granted Nil (2016 – 2,896,250) incentive stock options to employees, consultants and officers. The options granted during the year ended August 31, 2016 may be exercised within 5 to 10 years from the date of grant at a price ranging from $0.13 to $0.20 per share.

The weighted average fair value of the options granted during the year ended August 31, 2017 was estimated at $Nil (2016 – $0.14) per option as at the respective grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	August 31, 2017	August 31, 2016
Risk free interest rate	-	1.14%
Expected life	-	9 years
Expected volatility	-	89.60%
Expected dividend per share	-	-

Share Purchase Warrants

During the year ended August 31, 2015, the fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 0.40% to 0.61%, an expected life of 2 years, an expected volatility of 52.25% to 54.12%, and no expected dividends. The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

During the year ended August 31, 2017, the fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 0.69%, an expected life of 2 years, an expected volatility of 76.92%, and no expected dividends.

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	**Number of shares issued or issuable on exercise**
Balance – August 31, 2015	$0.27	15,071,467
Expired	$0.30	(6,114,137)
Balance – August 31, 2016	$0.25	8,957,330
Issuance of warrants	$0.30	10,640,000
Exercise of warrants	$0.25	(2,115,049)
Expired	$0.25	(6,842,281)
Balance – August 31, 2017	$0.30	10,640,000

The expiry of share purchase warrants are as follows:

	Exercise price	**Number of warrants**	**Expiry date**
Share purchase warrants	$0.30	10,640,000	April 28, 2019

Use of Financial Instruments

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

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

Financial Risk Management

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

Credit Risk

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

At August 31, 2017, 0% of the Company's accounts receivable balance is over 90 days past due (2016 – 0%). The carrying amount of trade and other receivable and due from related party as at August 31, 2017 of $1,145,255 (2016 – $2,482,720).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows, as well as future equity and debt financing.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process. The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at August 31, 2017 and 2016 are summarized as follows:

	August 31, 2017	**August 31, 2016**
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	$ 129,619	$ 210,422
In later than 90 days, not later than one year	6,300	5,553
	$ 135,919	$ 215,975

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant exposure at August 31, 2017 to interest rate risk through its financial instruments.

Currency Risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities.

The Company realized approximately 83% of its sales and makes a significant amount of its purchases in US dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding its cash and cash equivalents in US and Canadian dollars. The Company monitors and forecasts the values of net foreign currency cash flow and statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to hedge a portion of foreign currency fluctuations.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars as of August 31, 2017 and 2016:

	August 31, 2017	**August 31, 2016**
Cash and cash equivalents	$ 2,117,882	$ 827,272
Restricted cash	86,499	73,911
Trade receivables	891,767	2,162,119
Trade payables	97,483	135,755
	$ 3,193,661	$ 3,199,057

Based on the above net exposure at August 31, 2017, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately $319,366 decrease or increase respectively in both net and comprehensive loss (2016 – $319,906). The Company has not employed any currency hedging programs during the years ended August 31, 2017 and 2016.

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

	Year ended August 31, 2017	**Year ended August 31, 2016**
Salaries and short-term benefits	$ 420,071	$ 349,654
Share-based payment	39,851	93,389
	$ 459,922	$ 443,043

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

(b) Trade Related Party Transactions

The amounts due to related parties as at August 31, 2017 and 2016 are as follows:

	August 31, 2017	August 31, 2016
Chief Executive Officer	$ Nil	$ 11,132
	$ Nil	$ 11,132

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 are non-interest bearing, unsecured and due on demand.

(c) Other Related Party Transactions

On October 1, 2013, the Company entered into an agreement to loan $43,700 to the Chief Executive Officer of the Company. The terms of the loan is 5 years, maturing October 1, 2018, with interest payable on the unpaid principal, at a variable prescribed interest rate per annum, calculated yearly not in advance. The interest rate used to calculate accrued interest for the year ended August 31, 2017 was 1%. The loan is unsecured and repayable upon written notice given to the Company.

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

During the year ended August 31, 2016, certain members of senior management have 1,554,816 common shares of the Company released from escrow.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Allowances for Doubtful Accounts

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Inventory Valuation

The Company adjusts inventory values so that the carrying values do not exceed the net realizable value. The valuation of inventory at the lower of cost or net realizable value requires the use of estimates with regards to the amount of current inventory that will be sold, the prices at which it will be sold, and an estimate of expected orders from customers. Additionally, the estimates reflect changes in products or changes in demand because of various factors, including the market for products, obsolescence, changes in product offerings, technology changes and competition.

Determination of Functional Currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Accounting Standards and Amendments Issued but Not Yet Adopted

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended August 31, 2017:

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

IFRS 7 'Financial Instruments: Disclosure' clarifies the definition for continuing involvement in a transferred financial asset. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 9 'Financial Instruments: Classification and Measurement' was issued in November 2009 and contained requirements for financial assets. These standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 Financial Instruments – Recognition and measurement for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). The effective date of these amendments is for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 10 'Consolidated Financial Statements' is an amendment related to the sale or contribution of assets between an investor and its associate or joint venture to be applied prospectively. The amendment is effective for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

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

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

IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ is interpretation that clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after January 1, 2018.

IFRIC 23 ‘Uncertainty over Income Tax Treatments’ is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 ‘Income Taxes’ when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019.

Risk Factors

The following are major risk factors management has identified which relate to the Company’s business activities. Such risk factors could materially affect the Company's future financial results, and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

Capitalization and Commercial Viability

The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favourable terms and/or other remedial measures.

History of Operating Losses

The Company has an accumulated deficit since its incorporation through August 31, 2017 of $9,590,077. The deficit may increase in the near term, as the Company continues its product development and establishes sales channels for its new products.

General Economic Conditions

The Company currently operates in Canada and the United States and, like all global businesses, it has been subject to the impact of the current global credit and financial crisis on consumers in its areas of operations and the discretionary spending available to them. General economic conditions have resulted in reduced consumer and government spending and have impacted the Company’s financial results. Should these conditions continue to prevail, there will be further pressure on the Company’s financial results.

Key Employees

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

Supply Chain

The Company relies on major components to be manufactured on an Original Equipment Manufacturer (OEM) basis. Reliance on OEMs, as well as industry supply conditions generally involves several risks, including the possibility of defective products (which can adversely affect the Company’s reputation for reliability), a shortage of components and delays in delivery schedules (which can adversely affect the Company’s distribution schedules), and increases in component costs (which can adversely affect the Company’s profitability). The Company has single-sourced manufacturer relationships, either because alternative sources are not readily or economically available or because the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. If these sources are unable or unwilling to manufacture our products in a timely and reliable manner, the Company could experience temporary distribution interruptions, delays, or inefficiencies, adversely affecting our results of operations.

Even where alternative OEMs are available, qualification of the alternative manufacturers and establishment of reliable suppliers could result in delays affecting operating results adversely.

New Products and Technology Change Risk

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages. The Company invests significant resources in the development of products and continually seeks to improve its current product offerings. The success of the Company continues to depend upon market acceptance of its new products, its existing products and its ability to refine and enhance current product lines. In some situations new legislation is driving requirements for various subsets of the Company's products particularly in the area of recording license plates of vehicles illegally passing a school bus. Should legislation change or public opinion change relating to various issues surrounding right of privacy, there would be no guarantee that the Company would maintain sales of these products.

New Market Risk

The ability of the Company to successfully enter new markets is subject to uncertainties. We have been successful in the past, and we continue to develop important alliances in new markets to ensure future success. However, there are no guarantees that we can establish new distribution channels or continue to develop new strategic partnerships.

Competition

The Company's markets are competitive and rapidly changing. Many competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base. As this market develops, a number of companies with greater resources could attempt to increase their presence in this market by acquiring or forming strategic alliances with our competitors or business partners.

Many competitors are also divisions or subsidiaries of larger enterprises, many of which also focus on the manufacture and sale of components or mass-market products. Many competitors also offer a broader line of security solutions that may include CCTV and video surveillance products. Even though our products may offer a competitive advantage, some competitors have the ability to provide an integrated security solution to an end-user at a price that may render our products uncompetitive.

The Company's success will depend significantly on management's ability to adapt to these competing forces, to develop more advanced products more rapidly and less expensively than our competitors, and to educate potential customers as to the benefits of using the Company's services. The Company's future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than our products and could bundle existing or new products with other more established products in order to compete with the Company. The Company expects additional competition from other established and emerging companies. Increased competition may result in price reductions, reduced gross margin and loss of market share, any of which could materially and adversely affect the Company's business. The Company may not be able to compete successfully against current and future competitors, and failure to do so would harm the business.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to be profitable in the future. The Company's future operating results will depend on a number of factors, including (i) the efficiency and effectiveness of the Company's marketing and advertising programs, (ii) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits, better quality service and reduced costs, (iii) the Company's ability to successfully identify and respond to emerging trends in the security industry, (iv) the level of competition in the security industry and (v) the ability to manage attrition level and subscriber replacement costs. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Intellectual Property Risks

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

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

Technological Change, New Products and Standards

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

Reliance on Information Systems and Technology

The Company's business relies upon information technology systems to effectively service its customers at the point of sale. Its information technology systems may be vulnerable to unauthorized access, computer viruses, system failures, other malicious acts or acts of nature. Should a significant disruption to its information technology 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.

Risk Associated with NAFTA and proposed Destination-Based Cash Flow Tax (DBCFT)

Management of the Company believes that renegotiation of the North American Free Trade Agreement or implementation of the proposed DBCFT by the United States could significantly impact the Company's ability operate profitably. In either case, the Company may implement plans to move part of its operations to the United States by way of acquisition or expansion. Such an expansion could increase operating expenses, cost of goods sold and affect overall profitability.

Goodwill

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

Expansion

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

Available Workforce

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

Possible Adverse Effect of Future Government Regulations

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

Disclosure Controls and Procedures

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

The CEO and CFO have evaluated and concluded that the Company's disclosure controls and procedures are adequate and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiary, would have been known to them as of the fiscal year ended August 31, 2017.

As well, as of the end of the fiscal year ended August 31, 2017, 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, 2017, 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.