

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Gatekeeper Systems Inc. (the "Company")
301 – 31127 Wheel Ave
Abbotsford, BC, Canada V2T 6H1

Item 2. Date of Material Change

May 31, 2017

Item 3. News Release

May 1, 2017, at Vancouver, BC, Canada and distributed through the facilities of The News Wire.

Item 4. Summary of Material Change

Abbotsford, BC May 1st, 2017 - Gatekeeper Systems Inc. ('Gatekeeper' or the 'Company') (TSX.V: GSI; OTC: GKPRF; FSE: 1GK) announces that it has closed its non-brokered private placement (the "Offering") as announced on April 3rd, 6th, and 10th, through the issuance of 21,280,000 units (the "Units") for gross proceeds of \$4.256 million.

Item 5. Full Description of Material Change

See attached news release.

Item 6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

N/A

Item 7. Omitted Information

N/A

Item 8. Executive Officer

The following executive officer of the Company is knowledgeable about the material change and may be contacted by the Commission at the following telephone number:

Douglas Dymont
President & CEO
(604) 864-6187

Item 9. Date of Report

DATED this 31st day of May 2017



INVESTORS NEWS

FOR IMMEDIATE RELEASE

Gatekeeper Systems Closes \$4.256 Million Financing and Releases Q2 Financials

Abbotsford, BC May 1st, 2017 - Gatekeeper Systems Inc. ('Gatekeeper' or the 'Company') (TSX.V: GSI; OTC: GKPRF; FSE: 1GK) announces that it has closed its non-brokered private placement (the "Offering") as announced on April 3rd, 6th, and 10th, through the issuance of 21,280,000 units (the "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 months from the date of issue.

Should the stock price trade over \$0.40 per share for ten consecutive trading days, the Company will have the right to accelerate the expiry of the Warrants by giving notice to the holders of the Warrants by news release that the Warrants will expire on the date that is not less than 30 days from the date notice is given.

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 \$23,160 in cash and the issuance of 276,200 common shares. Securities issued pursuant to the Offering are subject to a four-month hold period from the date of closing.

Further, the Company has filed its financial statements and Management's Discussion and Analysis for the three and six months ended February 28, 2017, available for viewing on www.sedar.com. All figures are expressed in Canadian dollars unless otherwise stated.

Financial Highlights

- Revenue during the three months ended February 28, 2017 decreased 24% to \$1,314,495 compared to \$1,726,008 during the three months ended February 29, 2016;

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- Revenue during the six months ended February 28, 2017 decreased insignificantly to \$2,679,036 compared to \$2,681,582 during the six months ended February 29, 2016;
- Gross profit during the three months ended February 28, 2017 decreased 25% to \$674,745 from \$902,696 during the three months ended February 29, 2016;
- Gross margin as a percentage of revenue during the six months ended February 28, 2017 decreased to 47%, compared to 50% during the six months ended February 29, 2016, representing a 6% decrease;
- Net loss for the three months ended February 28, 2017 was \$308,143 compared to a net income of \$66,024 during the three months ended February 29, 2016;
- As of February 28, 2017, the Company had cash and cash equivalents of \$2,137,668 and working capital of \$3,030,455; and
- EBITDA for the three months ended February 28, 2017 was (\$285,825).
- EBITDA for the six months ended February 28, 2017 was (\$544,114).

BUSINESS UPDATE

During the second quarter, the following notable events occurred:

- Signed a five-year revenue-sharing contract for stop-arm cameras with Troup County School District;
- Released a new version of Gatekeeper's Traffic Infraction Management software and enhanced its remote monitoring capability for multiple stop-arm camera projects;
- Decreased total number of cameras shipped by 27% compared to same period 2016, and a 12% decrease year to date in 2017 compared to 2016;
- Decreased total number of DVR's shipped by 29% compared to the same period in 2016, and a 10% decrease year to date in 2017 compared to 2016; and
- The number of stop-arm camera evaluation sites increase from twenty-one to twenty-four, involving 1,862 buses owned by various school districts.

The Company's base business continued to support sales in the second fiscal quarter reaching over \$1.3 million. The sales decrease was primarily due to decrease in camera sales and mobile digital recorders of 27% and 29%, respectively, compared to the same period in fiscal 2016.

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The number of stop-arm camera evaluation sites increase from twenty-one to twenty-four, involving 1,862 buses owned by various school districts. Gatekeeper is working with school districts, law enforcement, and judicial systems to complete the evaluation phase on these sites and progress to commercial implementation, ideally in the form of revenue-sharing arrangements.

The Company executed its third five-year revenue sharing contract (the "**Contract**") in the stop-arm camera business with Troup County School District, Georgia. Pursuant to the Contract, Gatekeeper will commence an initial installation of 10 systems consisting of Gatekeeper's Student Protector multilane stop-arm video enforcement cameras and Traffic Infraction Management (TIM) technology. Stop-arm violation fines in Georgia are \$300 USD for first time offence, \$750 USD for second time offence and \$1,000 USD for third time offence.

PRODUCT NEWS

During the second quarter, the Company accomplished the following:

- **TIMS™ – Traffic Infraction Management System**
Gatekeeper continues its focus on the stop arm recurring revenue business. A third instance of TIMS™ (Traffic Infraction Management System) to support Troup County was deployed and went live during the quarter. Release 1.1 of TIMS™ software completed testing and was moved into the production environment. In addition to improved operational efficiencies and a refined user experience, release 1.1 introduced a front-end traffic manager that allows for greater flexibility in hosting TIMS™.
- **304SD1a – Additional Support for High Definition Cameras**
Gatekeeper upgraded our best-selling mobile DVR to include support for additional high definition cameras. The newly released 304SD1a is 100% backwards compatible with its predecessor the 304SD1 DVR but increases support for high definition cameras from 1 to a total of 5. The new DVR passed a punishing series of tests including shock and vibration, high/low temperature testing combined with power cycling that is more severe than the normal environment Gatekeepers DVR's experience while in service.
- **New High Definition camera**
Gatekeeper released the S31-AHD 720p high definition camera. The new camera is compatible with the new 304SD1a DVR and produces stunningly clear imagery. The S31-AHD is priced very competitively and significantly reduces the cost to the end customer of implementing high definition video in the mobile environment.
- **SP422 and Video Motion Detection**
Gatekeeper released the SP-422A and SP-422IP stop arm camera POD. The SP422 is available in two variants, analog and IP. The analog version will capture the license

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plates of vehicles in the lane adjacent to a school bus while the IP version will capture the license plates of vehicles up to 3 lanes over from a school bus. In addition, new firmware for the 504HD2 DVR that utilizes video motion detection was also released. This functionality significantly reduces the stop arm events that need to be reviewed for a violation. Both the new firmware and SP422 camera pod have been installed in all of Gatekeeper recurring revenue stop arm violation projects.

- **Telematics**

After the successful conclusion of a field trial in Q1, Gatekeeper has released a telematics connector that allows GPS (location and speed) information generated by a Gatekeeper DVR to be collected via a cellular link and passed through to 3rd party routing and planning software. Now customers can have an accurate record of the route their school bus took. This allows for more efficient planning of bus routes.

MOVING AHEAD

The Company has seen certain areas of its sales funnel in its base business double when compared to the same period last year and is working on closing those sales while expanding sales in multiple markets including the stop-arm camera and transit and law enforcement markets, as well as the transition of analog cameras to high-definition.

To date, Gatekeeper has been working on the following initiatives:

- Working with strategic software and alliance partners to build Gatekeeper brands in its base business as well as other mobile markets;
- Expanding revenue sharing programs with Gatekeeper's stop-arm cameras and Traffic Infraction Management software TIMS™;
- Transitioning stop-arm camera evaluation projects to revenue sharing contracts; and
- Expanding distribution of Gatekeeper's high-definition products in the Company's base business.

Doug Dymont, President and CEO of Gatekeeper commented, "I am encouraged by the market support for Gatekeeper that has resulted in this oversubscribed offering. Given increased sales activities we felt it important to add to the Company's working capital. The capital will be used to increase sales and service staff, engineering and marketing programs. Second quarter revenue was lower than expected as we continue to experience lumpy quarters due to the timing of sales. However, year to date revenue is equal to last year. Certain areas of our sales funnel have doubled this year over the same period last year which is an indicator of growing interest in our products. We are also seeing more interest in our wireless solutions which has the

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potential to increase the average sale per bus. We continue to work on getting our sales team in front of more prospects as well closing opportunities in our sales funnel. I was pleased with our gross margin which increased from 42% in the first quarter to 51% in the second quarter.”

Summary of Financial Results and Information

	Three months ended		Six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Revenue	\$ 1,314,495	\$ 1,762,008	\$ 2,679,036	\$ 2,681,582
Cost of Sales	\$ 639,750	\$ 823,312	\$ 1,431,344	\$ 1,341,919
Gross Profit	\$ 674,745	\$ 902,696	\$ 1,247,692	\$ 1,339,663
Gross Margin	51%	51%	47%	50%
Expenses	\$ 920,420	\$ 881,126	\$ 1,814,190	\$ 1,915,715
Operating Income (Loss)	\$ (245,675)	\$ 21,570	\$ (566,498)	\$ (576,052)
Net Income (Loss) for the period	\$ (308,143)	\$ 66,024	\$ (585,343)	\$ (511,223)
Income (Loss) per share –				
Basic	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.01)
Total Assets	\$ 3,833,828	\$ 3,003,596	\$ 3,833,828	\$ 3,003,596
Total Liabilities	\$ 580,716	\$ 886,164	\$ 580,716	\$ 886,164
Total Shareholders' Equity	\$ 3,253,112	\$ 2,117,432	\$ 3,253,112	\$ 2,117,432

Financial Reports

Full details of the financial reports and operating results for the three and six months ended February 28, 2017 are described in the Company's condensed interim consolidated financial statements with accompanying notes and related Management's Discussion and Analysis. These documents and additional information on Gatekeeper is available on SEDAR at www.sedar.com.

About Gatekeeper Systems Inc.

A TSX-V Company since 2013, Gatekeeper Systems Inc. has provided total mobile video security solutions to over 3,500 customers and has installations in every state and province in North America. Customers include school districts, public transit, law enforcement and military.

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For more information visit: www.gatekeeper-systems.com.

On behalf of the Board,

Douglas Dymont
President & CEO

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Statements: Certain statements made in this press release that are not historical facts are forward-looking statements and are subject to important risks, uncertainties and assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward-looking statements. For more exhaustive information on these risks and uncertainties, the reader should refer to the risk factors described in the management's discussion and analysis for the period ended February 28, 2017. The forward-looking statements contained in this press release represent our expectations as of the date hereof. We disclaim any intention and assume no obligation to update or revise any forward-looking statements. Forward-looking statements are presented for the purpose of providing information about management's current expectations and plans and allowing investors and others to obtain a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The Company undertakes no obligations to update or revise such statements to reflect new circumstances or unanticipated events as they occur, unless required by applicable law.

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