



Condensed Interim Consolidated financial statements of
GATEKEEPER SYSTEMS INC.
For the three and nine months ended May 31, 2017
(Unaudited)

These financial statements have not been reviewed by the Company's auditor.

**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Gatekeeper Systems Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor, James Stafford, Inc., has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(UNAUDITED)

(expressed in Canadian dollars)

	May 31, 2017	August 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (note 6)	\$ 6,049,705	\$ 898,331
Restricted cash (note 7)	116,155	85,411
Trade and other receivables (note 8)	1,137,097	2,437,729
Inventories (note 9)	910,681	891,190
Prepaid expenses and other current assets	219,886	80,914
	8,433,524	4,393,575
Non-Current Assets		
Due from related party (note 10)	45,328	44,991
Property, plant and equipment (note 11)	177,133	110,764
Total Assets	\$ 8,655,985	\$ 4,549,330
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Line of credit (note 12)	\$ 264,924	\$ 337,255
Trade and other payables and accrued liabilities (note 13)	468,383	696,535
Unearned revenue	1,843	1,208
Total Liabilities	735,150	1,034,998
Shareholders' Equity (notes 14 and 15)		
Common shares	15,835,685	11,686,269
Other capital reserves	1,789,303	1,086,381
Deficit	(9,704,153)	(9,258,318)
	7,920,835	3,514,332
Total Liabilities and Shareholders' Equity	\$ 8,655,985	\$ 4,549,330

GOING CONCERN (note 1)
COMMITMENTS AND CONTINGENCIES (note 23)
SUBSEQUENT EVENTS (note 24)

**APPROVED ON BEHALF OF
THE BOARD OF DIRECTORS**

"Robert Galbraith"

(signed)

Director

"Robert C. Hill"

(signed)

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2017 AND 2016
(UNAUDITED)**

(expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Revenues (note 21)	\$ 2,274,528	\$ 3,103,333	\$ 4,953,564	\$ 5,784,915
Cost of Sales	1,091,460	1,561,893	2,522,804	2,903,812
Gross Profit	1,183,068	1,541,440	2,430,760	2,881,103
Operating Expenses				
General and administrative (note 17)	397,605	406,055	1,127,662	1,145,216
Selling and marketing	426,200	414,722	1,154,900	1,173,497
Research and development	227,041	214,865	582,474	632,644
	1,050,846	1,035,642	2,865,036	2,951,357
Operating Income (Loss)	132,222	505,798	(434,276)	(70,254)
Other Income (Expenses)				
Interest	3,010	191	4,219	569
Foreign exchange	32,472	(24,645)	62,576	39,806
Finance costs	(28,196)	(159,266)	(78,354)	(159,266)
Net Income (Loss) and Comprehensive Income (Loss) for the period	\$ 139,508	\$ 322,078	\$ (445,835)	\$ (189,145)
Basic and Diluted Earnings (Loss) Per Share (note 18)	\$ 0.00	\$ 0.01	\$ (0.01)	\$ 0.00
Basic and Diluted Weighted Average Number of Shares Outstanding (note 18)	71,659,670	63,373,495	66,438,085	63,117,085

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2017 AND 2016
(UNAUDITED)

(expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Cash Flows from (used in) Operating Activities				
Net income (loss)	\$ 139,508	\$ 322,078	\$ (445,835)	\$ (189,145)
Items not affecting cash from operations –				
Accrued interest	(114)	2,639	(337)	2,417
Depreciation and impairment (note 11)	12,120	8,842	34,588	21,524
Write-down of inventory (note 9)	4,125	-	4,193	9,911
Bad debt recovery (note 17)	-	-	(345)	(19,647)
Share-based payments (note 16)	22,851	992	102,701	67,177
Unrealized foreign exchange gain	(28,893)	-	(37,355)	-
	149,597	334,551	(342,390)	(107,763)
Changes in non-cash working capital balances related to operations –				
Decrease (Increase) in trade and other receivables	(528,821)	461,407	1,300,977	630,378
Increase in inventories	(218,579)	(2,568)	(23,684)	(180,693)
Decrease (Increase) in prepaid expenses and other current assets	(137,220)	236,767	(138,972)	154,580
Increase (Decrease) in trade and other payables	111,314	(261,154)	(228,152)	(105,591)
Increase (Decrease) in unearned revenue	635	(9,058)	635	(38,296)
	(623,074)	759,945	568,414	352,615
Cash Flows used in Investing Activities				
Purchase of property, plant and equipment (note 11)	(11,810)	(33,349)	(100,957)	(86,254)
Decrease (Increase) in restricted cash (note 7)*	(29,821)	3,662	(30,744)	308
	(41,631)	(29,687)	(131,701)	(85,946)
Cash Flows from Financing Activities				
Proceeds from issuance of common shares	4,256,000	-	4,256,000	-
Shares issuance costs	(35,126)	-	(35,126)	-
Exercise of warrants	284,490	-	528,763	-
Proceeds from (Repayment of) line of credit (note 12)	42,485	303,514	(72,331)	303,514
	4,547,849	303,514	4,677,306	303,514
Foreign Exchange Gain on Cash and Cash Equivalents held in USD	28,893	-	37,355	-
Increase in Cash and Cash Equivalents	3,883,144	1,033,772	5,114,019	570,183
Cash and Cash Equivalents – Beginning of Period	2,137,668	701,966	898,331	1,165,555
Cash and Cash Equivalents – End of Period	\$ 6,049,705	\$ 1,735,738	\$ 6,049,705	\$ 1,735,738

*Decrease in restricted cash and cash flows used in operating activities differ from past presentations due to reallocation

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

GATEKEEPER SYSTEMS INC.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MAY 31, 2017 AND 2016 (UNAUDITED)**

(expressed in Canadian dollars, except per share and share amounts)

	Common Shares				Total (\$)
	Shares	Amount (\$)	Reserves (\$)	Deficit (\$)	
Balance – August 31, 2016	63,373,495	11,686,269	1,086,381	(9,258,318)	3,514,332
Net loss and comprehensive loss for the period	-	-	-	(445,835)	(445,835)
Private placement with value assigned to shares and warrants (note 14(b))	21,280,000	3,655,779	600,221	-	4,256,000
Exercise of warrants (note 14(b))	2,115,049	528,763	-	-	528,763
Share issuance costs (note 14(b))	828,600	(35,126)	-	-	(35,126)
Share-based payments (note 16)	-	-	102,701	-	102,701
Balance – May 31, 2017	87,597,144	15,835,685	1,789,303	(9,704,153)	7,920,835
Balance – August 31, 2015	62,973,495	11,589,833	926,521	(9,953,884)	2,562,470
Net loss and comprehensive loss for the period	-	-	-	(189,145)	(189,145)
Shares issued for services (note 14(b))	400,000	60,000	-	-	60,000
Share-based payments (note 16)	-	-	7,177	-	7,177
Balance – May 31, 2016	63,373,495	11,649,833	933,698	(10,143,029)	2,440,502

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Description of Business and Nature of Operations

Gatekeeper Systems Inc. (the "Company" or "Gatekeeper") 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. The Company specializes in design, manufacturing and marketing of total video security solutions for mobile and extreme environments.

The head office and principal address is located at Suite 301, 31127 Wheel Avenue, Abbotsford, British Columbia, V2T 6H1. The Company's registered and records office is located at 10th floor, 595 Howe Street Vancouver, British Columbia, V6C 2T5.

The Company's condensed interim consolidated financial statements as at May 31, 2017 and for the period 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 income of \$139,508 and net loss of \$445,835 for the three and nine months ended May 31, 2017 (2016 – net income (loss) of \$322,078 and \$(189,145)) and has a working capital of \$7,698,374 at May 31, 2017 (August 31, 2016 – \$3,358,577).

The Company had cash and cash equivalents of \$6,049,705 at May 31, 2017 (August 31, 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended August 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements. These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on July *, 2017.

The Company's consolidated financial statements have been prepared on a going concern basis under the historical cost method, except for certain financial instruments which are measured at fair value (note 19), and are presented in Canadian dollars except where otherwise indicated.

These consolidated financial statements incorporate the financial statements of the Company and its controlled, wholly-owned subsidiaries. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

(a) Basis of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities (including special purpose entities) controlled by the Company, where control is achieved by the Company having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Gatekeeper, and are de-consolidated from the date that control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements, and are wholly owned: Deep Development Corp., GSI Systems Inc., and Road Safety Solutions Inc.

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

(b) Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash comprise of cash at banks and short-term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(c) Inventories

Inventories are stated at lower of production cost and net realizable value. Cost for all inventory is determined using the weighted average method which, for work in process and finished goods, includes the cost of material, direct labour and applicable manufacturing overhead. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and supplies inventory consists of consumable parts and supplies which are valued at lower of weighted average cost and net realizable value. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Net realizable value is defined as the selling price of the finished product less any provisions for obsolescence and costs of completion. its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

3. Summary of Significant Accounting Policies (continued)

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for Depreciation of property, plant and equipment is calculated using the following methods:

Asset	Method	Basis	Useful Life
Automobile	Straight-line	3.3 years	3.3 years
Computer equipment	Straight-line	5 years	5 years
Computer software	Straight-line	1 year	1 year
Furniture and fixtures	Straight-line	5 years	5 years
Office equipment	Straight-line	5 years	5 years
Technical equipment	Straight-line	5 years	5 years
Research and development equipment	Straight-line	5 years	5 years
Leasehold improvements	Straight-line	5 years	5 years

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized within other gains or losses in earnings.

(e) Leases

Leases are classified as finance leases if the Company bears substantially all risks and rewards of ownership of the leased asset. At the inception of the lease, the asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a finance lease obligation. The cost of the asset acquired under finance leases are depreciated on a basis consistent with that for depreciable assets that are owned. The cost of the asset is depreciated on a declining rate basis over the estimated useful lives or the lease term, whichever is shorter, when it is not reasonably certain that the Company will obtain ownership by the end of the lease term. Obligations recorded under finance leases are reduced by lease payments, net of finance charges. Finance charges are charged to net earnings (loss) over the lease term. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current risk-free pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(g) Revenue Recognition

Sales revenues are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company recognizes revenue from customer orders upon shipment of the order.

3. Summary of Significant Accounting Policies (continued)

(g) Revenue Recognition (continued)

Installation revenues are recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenues from extended warranty sales are recognized on a straight-line monthly basis over the term of the extended warranty.

(h) Research and Development Costs

The Company engages in research and development activities. Research costs are expensed as incurred. Product development costs are expensed in the year incurred unless the costs meet the criteria for deferral and amortization. These criteria are met when the Company has established:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to reliably measure the expenditures attributable to the intangible asset during its development.

No development costs have been capitalized in the nine months ended May 31, 2017 and 2016. As at May 31, 2017, there are \$Nil development costs capitalized on the consolidated financial position (August 31, 2016 – \$Nil).

The Company is eligible for tax credits from the Scientific Research & Experimental Development (“SR&ED”) program. When management determines that it is more likely than not that the Company has complied with all the terms and conditions related to the SR&ED program, the relevant tax credit is recorded in the period as a reduction to the related expenses or capital costs.

(i) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(j) Share-Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to other capital reserves. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

3. Summary of Significant Accounting Policies (continued)

(k) Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes Option Pricing Model.

(l) Current and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the consolidated financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The Company records provisions for uncertain tax provisions if it is probable that the Company will make a payment on tax positions as a result of examinations by the tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses that they are no longer required or determined by statute.

(m) Foreign Currencies

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

3. Summary of Significant Accounting Policies (continued)

(m) Foreign Currencies (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(n) Earnings or Loss Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury share method whereby all “in the money” options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

(o) Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred.

Held-to-maturity and loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Trade and other receivables are classified as loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

3. Summary of Significant Accounting Policies (continued)

(o) Financial Assets (continued)

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

(p) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade and other payables, bank indebtedness and loans payable are included in this category of financial liabilities.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

(q) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

3. Summary of Significant Accounting Policies (continued)

(q) Impairment of Financial Assets (continued)

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within profit or loss, except for investments in an equity instrument.

(r) Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(s) Impairment of Non-Current Non-Financial Assets

The carrying amounts of non-current non-financial assets are reviewed and evaluated for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Non-current non-financial assets include property, plant, and equipment. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value.

The recoverable amount is the higher of an asset's "fair value less costs to sell" and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined, with a cash-generating unit being the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties. In assessing "value-in-use", the future cash flows expected to arise from the continuing use of the asset or cash-generating unit in its present form are estimated using assumptions that an independent market participant would consider appropriate, and are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or unit.

Where conditions that gave rise to a recognized impairment loss are subsequently reversed, the amount of such reversal is recognized into earnings immediately, though is limited such that the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in the prior period.

4. Significant Accounting Judgments and 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

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.

(a) 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.

(b) Inventory Valuation

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

(c) 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.

5. 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 period ended May 31, 2017:

- (i) 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.

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- (ii) 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.
- (iii) 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.
- (iv) 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.

The Company has not early adopted nor assessed the financial statement impact of these standards, amendments and interpretations, and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

6. Cash and Cash Equivalents

	May 31, 2017	August 31, 2016
Denominated in Canadian dollars	\$ 4,126,375	\$ 71,059
Denominated in U.S. dollars	1,923,330	827,272
	\$ 6,049,705	\$ 898,331

The Company's line of credit is secured by a first charge over the assets of the Company, including cash and cash equivalents with a carrying value of \$6,049,705 (note 12).

7. Restricted Cash

	May 31, 2017	August 31, 2016
Denominated in Canadian dollars	\$ 23,000	\$ 11,500
Denominated in U.S. dollars	93,155	73,911
	\$ 116,155	\$ 85,411

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As at May 31, 2017, total cash of \$116,155 (August 31, 2016 – \$85,411) is secured against the Company's credit cards and held in a Guaranteed Investment Certificate ("GIC") and is designated as restricted cash.

8. Trade and Other Receivables

	May 31, 2017	August 31, 2016
Trade receivables	\$ 1,106,528	\$ 2,232,936
Goods and Services Tax/Harmonized Sales Tax receivable	15,068	148,573
Deposits and other receivable	15,501	56,220
	\$ 1,137,097	\$ 2,437,729

The Company's line of credit is secured by a first charge over the assets of the Company, including trade and other receivables with a carrying value of \$1,137,097 (note 12).

9. Inventories

	May 31, 2017	August 31, 2016
Raw materials	\$ 61,467	\$ 38,828
Finished goods	849,214	852,362
	\$ 910,681	\$ 891,190

For the three and nine months ended May 31, 2017, the cost of inventories recognized as an expense and included in cost of sales was \$905,831 and \$2,139,445 (2016 – \$1,369,988 and \$2,470,043).

For the three and nine months ended May 31, 2017, a write-down of inventories of \$4,125 and \$4,193 (2016 – \$21,909 and \$48,495) was recorded, which was included in cost of sales in the consolidated statements of loss and comprehensive loss.

The Company's line of credit is secured by a first charge over the assets of the Company, including inventories with a carrying value of \$910,681 (note 12).

10. Due from Related Party

	May 31, 2017	August 31, 2016
Balance – beginning of period	\$ 44,991	\$ 44,543
Accrued interest	337	448
	\$ 45,328	\$ 44,991

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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 three and nine months ended May 31, 2017 was 1% and 1%. The loan is unsecured and repayable upon written notice given to the Company (note 22).

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11. Property, Plant and Equipment

The changes in the Company's property, plant and equipment for the nine months ended May 31, 2017 are as follows:

Cost	Automotive	Computer Equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2015	\$ 1	\$ 40,004	\$ -	\$ 19,735	\$ 15,110	\$ 36,022	\$ 55,088	\$ 103,859	\$ 269,819
Additions	-	47,720	-	4,049	1,220	28,773	-	3,500	85,262
Disposal	-	(5,759)	-	-	-	-	-	-	(5,759)
August 31, 2016	\$ 1	\$ 81,965	\$ -	\$ 23,784	\$ 16,330	\$ 64,795	\$ 55,088	\$ 107,359	\$ 349,322
Additions	-	38,499	-	1,906	610	59,942	-	-	100,957
May 31, 2017	\$ 1	\$ 120,464	\$ -	\$ 25,690	\$ 16,940	\$ 124,737	\$ 55,088	\$ 107,359	\$ 450,279
Depreciation	Automotive	Computer Equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2015	\$ 1	\$ 19,385	\$ -	\$ 19,735	\$ 15,110	\$ 30,685	\$ 55,088	\$ 75,714	\$ 215,718
Depreciation	-	12,197	-	405	122	4,267	-	11,608	28,599
Disposal	-	(5,759)	-	-	-	-	-	-	(5,759)
August 31, 2016	\$ 1	\$ 25,823	\$ -	\$ 20,140	\$ 15,232	\$ 34,952	\$ 55,088	\$ 87,322	\$ 238,558
Depreciation	-	14,787	-	750	228	9,855	-	8,968	34,588
May 31, 2017	\$ 1	\$ 40,610	\$ -	\$ 20,890	\$ 15,460	\$ 44,807	\$ 55,088	\$ 96,290	\$ 273,146
Net Book Value	Automotive	Computer Equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2016	\$ -	\$ 56,142	\$ -	\$ 3,644	\$ 1,098	\$ 29,843	\$ -	\$ 20,037	\$ 110,764
May 31, 2017	\$ -	\$ 79,854	\$ -	\$ 4,800	\$ 1,480	\$ 79,930	\$ -	\$ 11,069	\$ 177,133

The Company's line of credit is secured by a first charge over the assets of the Company, including capital assets with a carrying value of \$177,133 (note 12).

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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On May 5, 2016, the Company entered into a non-dilutive revolving secured line of credit of up to \$1,500,000 (US) (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 \$1,500,000 and working capital of not less than negative \$1,500,000 at the end of each fiscal quarter (note 20).

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

The Company has agreed to pay a related party an annual fee of \$18,750 (US) 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 (notes 22 and 23).

As of May 31, 2017, amount payable was \$264,924.

13. Trade and Other Payables and Accrued Liabilities

	May 31, 2017	August 31, 2016
Trade payables	\$ 142,984	\$ 215,975
Provincial Sales Tax payable and State Sales tax Payable	1,593	48,656
Accrued liabilities	253,806	361,904
Accrued warranty liabilities	70,000	70,000
	\$ 468,383	\$ 696,535

Included in trade and other payables are amounts \$3,294 (August 31, 2016 – \$11,132) due to related parties (note 22).

Included in accrued liabilities are amounts \$36,000 (August 31, 2016 – \$36,000) recorded as provisions for legal claims associated with a former contractor of the Company (note 23).

The Company provides a one year, three year, five year, or lifetime warranty, depending on the product, to repair or replace defective components with respect to its product sales. The warranty provision in consolidated statements of loss and comprehensive loss includes management's best estimate of the total costs of all raw materials, labour and travel expenses required to repair issues related to all products that were sold and shipped prior to period. During the three and nine months ended May 31, 2017, warranty as an expense and included in cost of sales were \$17,556 and \$27,950 (2016 – \$19,303 and \$25,427).

14. Share Capital

(a) Authorized Share Capital

The Company has authorized an unlimited number of common shares with no par value, unlimited Class A preferred shares with no par value, unlimited Class B preferred shares with par value of \$0.01 and unlimited Class C preferred shares with no par value.

At May 31, 2017, the Company had 87,597,144 common shares outstanding (August 31, 2016 – 63,373,495), Nil Class A preferred shares outstanding (August 31, 2016 – Nil), Nil Class B preferred shares outstanding (August 31, 2016 – Nil), Nil Class C preferred shares outstanding (August 31, 2016 – Nil) and Nil common shares held in escrow (August 31, 2016 – Nil). During the year ended August 31, 2016, 1,554,816 common shares were released from escrow, which have been included in the weighted average number of common shares outstanding (notes 18 and 22).

The Class A preferred shares are convertible to common shares, at the option of the holder, at a fixed conversion rate of one to one.

The Class B preferred shares are redeemable at the option of the Company on 21 days' notice for an amount of \$1,000 per share.

The Class C preferred shares may include one or more series of shares. The board of directors may, by resolution, if none of the shares of any particular series are issued, alter the Articles of the Company and authorize the alteration of the Notice of Articles of the Company to do one or more of the following:

- Determine the maximum number of shares of that series that the Company is authorized to issue, determine that there is no such maximum number, or alter any such determination;
- Create an identifying name by which the shares of that series may be identified, or alter any such identifying name; and
- Attach special rights and restrictions to the shares of that series, or alter any such special rights or restrictions.

(b) Issued Share Capital

During the nine months ended May 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 announced on April 3, 6, and 10, through the issuance 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 \$23,160 in cash and the issuance of 828,600 finder's shares, the fair value of the finder's shares is \$182,292.

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.

14. Share Capital (continued)

(b) Issued Share Capital (continued)

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 price of \$0.15 per share, based on the achievement of a certain milestone as specified within the agreement.
- (ii) On July 16 and 28, 2015, the Company closed its non-brokered private placement offerings, by issuing 13,139,501 units, at a price of \$0.15 per unit, for total gross proceeds of \$1,970,925. Share issuance costs include cash commission of \$132,137 and issuance of 880,913 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (iii) On March 5, 2015, the Company closed its third and final tranche its non-brokered private placement offerings, by issuing 953,334 units, at a price of \$0.15 per unit, for total gross proceeds of \$143,000. Share issuance costs include issuance of 57,200 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (iv) On February 5 and 26, 2015, the Company closed its first and second of its non-brokered private placement offerings, by issuing 1,250,000 and 500,000 units, respectively, totaling 1,750,000 units, at a price of \$0.15 per unit, for total gross proceeds of \$262,500. Share issuance costs include agents' commission of \$23,850, legal and regulatory cost of \$8,187, and issuance of 97,800 agents' warrants. Each unit consists of one common share and one half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing.
- (v) On September 2, 2014, 1,801,802 Class A preferred shares were converted into common shares of the Company.

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15. Warrants

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
Expired	\$0.25	(1,393,467)
Exercise of warrants	\$0.25	(2,115,049)
Balance – May 31, 2017	\$0.28	16,088,814

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 nine months ended May 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.

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

	Exercise price	Number of warrants	Expiry date
Agents' warrants	\$0.25	555,606	July 17,2017
Share purchase warrants	\$0.25	2,338,683	July 17,2017
Agents' warrants	\$0.25	254,941	July 28,2017
Share purchase warrants	\$0.25	2,299,584	July 28,2017
Share purchase warrants	\$0.30	10,640,000	May 3, 2019
		16,088,814	

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The Company adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

The changes in incentive share options outstanding are summarized 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 – May 31, 2017	\$0.21	5,663,250

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

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

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

Incentive share options outstanding and exercisable at May 31, 2017 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price
\$0.12	300,000	7.04	\$0.12	300,000	7.04	\$0.12
\$0.13	900,000	8.93	\$0.13	600,000	8.93	\$0.13
\$0.16	275,000	8.00	\$0.16	275,000	8.00	\$0.16
\$0.18	250,000	7.14	\$0.18	250,000	7.14	\$0.18
\$0.20	1,571,250	7.30	\$0.20	967,813	6.13	\$0.20
\$0.25	1,885,000	5.83	\$0.25	1,885,000	5.83	\$0.25
\$0.30	482,000	6.29	\$0.30	482,000	6.29	\$0.30
	5,663,250	6.99	\$0.21	4,759,813	6.60	\$0.21

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During the three and nine months ended May 31, 2017, the Company recorded total share-based payments of \$22,851 and \$102,701 (2016 – \$992 and \$7,177), which has been charged to income for the period.

17. General and Administrative Expenses by Nature

The Company recorded general and administrative expenses for the three and nine months ended May 31, 2017 and 2016 as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
General and administrative expenses				
Accounting and legal	\$ 23,220	\$ 27,164	\$ 86,250	\$ 70,790
Bad debt recovery	-	-	(345)	(19,647)
Consulting fees	9,930	9,180	29,790	65,259
Depreciation and impairment (note 11)	12,120	8,842	34,588	21,524
Interest charges on loans	13,333	31,425	32,094	31,425
Investor relations	29,249	90,762	83,607	276,635
Office	89,885	89,999	241,565	254,534
Regulatory	29,574	(3,264)	38,991	8,202
Rent	31,859	27,096	86,051	81,046
Salaries and benefits	135,584	123,859	392,370	348,271
Share-based payments (note 16)	22,851	992	102,701	7,177
	\$ 397,605	\$ 406,055	\$ 1,127,662	\$ 1,145,216

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The following table sets forth the computation of basic and diluted earnings (loss) per share for the three and nine months ended May 31, 2017 and 2016:

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Numerator				
Net income (loss) for the period	\$ 139,508	\$ 322,078	\$ (445,835)	\$ (189,145)
Denominator				
For basic – weighted average number of shares outstanding	71,659,670	63,373,495	66,438,085	63,117,085
Effect of dilutive securities –				
Incentive share options	-	-	-	-
Share purchase warrants	-	-	-	-
For diluted – adjusted weighted average number of shares outstanding	71,659,670	63,373,495	66,438,085	63,117,085
Earnings (Loss) Per Share				
Basic	\$0.00	\$0.01	(\$0.01)	\$0.00
Diluted	\$0.00	\$0.01	(\$0.01)	\$0.00

The basic earnings (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. A total of Nil (2015 – 1,554,816) common shares are in escrow and thus, have been excluded from the weighted average number of common shares outstanding. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Fully diluted earnings (loss) per share is not materially different from basic earnings (loss) per share and the effect of conversion of 4,488,250 stock options and all of the share purchase warrants is anti-dilutive.

19. Financial Instruments**Financial Assets and Liabilities**

Information regarding the Company's financial assets and liabilities as at May 31, 2017 and August 31, 2016 is summarized as follows:

	May 31, 2017	August 31, 2016
Financial Assets		
Fair value through profit and loss, at fair value		
Cash and cash equivalents	\$ 6,049,705	\$ 898,331
Restricted cash	116,155	85,411
Loans and receivable, at amortized cost		
Trade receivables	1,106,528	2,232,936
Due from related party	45,328	44,991
Total Financial Assets	\$ 7,317,716	\$ 3,261,669
Financial Liabilities		
Other liabilities, at amortized cost		
Line of credit	\$ 264,924	\$ 337,255
Trade payables	142,984	215,975
Salaries and benefits payable	100,603	67,400
Total Financial Liabilities	\$ 508,511	\$ 620,630

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly. As at May 31, 2017, the Company does not have any Level 2 financial instruments.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at May 31, 2017, the Company does not have any Level 3 financial instruments.

	May 31, 2017	August 31, 2016
Level 1		
Financial assets at fair value		
Cash and cash equivalents	\$ 6,049,705	\$ 898,331
Restricted cash	116,155	85,411
Total Financial Assets at Fair Value	\$ 6,165,860	\$ 983,742

There were no transfers between level 1 and 2 and 3 during the periods ended May 31, 2017 and August 31, 2016.

Financial Instrument Risk Exposure

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are under taken to support the Company's ability to continue as a going concern. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (note 20).

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 through the use of a major financial institution which has high credit quality as determined by the rating agencies. Accounts receivable mainly consists of receivables from its customers. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. In some cases, the Company requires bank letters of credit or subscribes to credit insurance.

At May 31, 2017, 16% of the Company's accounts receivable balance is over 90 days past due (August 31, 2016 – 0%). The carrying amount of trade and other receivable and due from related party as at May 31, 2017 of \$1,182,425 (August 31, 2016 – \$2,482,720).

19. Financial Instruments (continued)

Financial Instrument Risk Exposure (continued)

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 (note 20). The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at May 31, 2017 and August 31, 2016 are summarized as follows:

	May 31, 2017	August 31, 2016
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 142,984	\$ 210,422
In later than 90 days, not later than one year	-	5,553
	\$ 142,984	\$ 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 rate.

The Company has no significant exposure at May 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's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows. 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 economically 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 May 31, 2017 and August 31, 2016:

	May 31, 2017	August 31, 2016
Cash and cash equivalents	\$ 1,923,330	\$ 827,272
Restricted cash	93,155	73,911
Trade receivables	841,867	2,162,119
Trade payables	18,817	135,755
	\$ 2,877,169	\$ 3,199,057

19. Financial Instruments (continued)

Financial Instrument Risk Exposure (continued)

Currency Risk (continued)

Based on the above net exposure at May 31, 2017, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately \$287,717 decrease or increase respectively in both net and comprehensive loss (August 31, 2016 – \$319,906). The Company has not employed any currency hedging programs during the periods ended May 31, 2017 and August 31, 2016.

20. Management of Capital

The capital managed by the Company includes a Line of Credit (note 12) and the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Company is subject to financial covenants related to the Line of Credit. The covenants require a tangible net worth of not less than negative \$1,500,000 and working capital of not less than negative \$1,500,000 at the end of each fiscal quarter (note 12). During the nine months ended May 31, 2017, the Company is in compliance with the financial covenants.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of finance to fund the growth and development of its operations, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company's overall strategy with respect to management of capital at May 31, 2017 remains fundamentally unchanged from the year ended August 31, 2016.

21. Segmented Information

The Company operates in one segment in which it develops, manufactures, markets and sells high resolution mobile surveillance camera systems, which information is evaluated regularly by the Company's President and Chief Executive Officer, being the chief operating decision maker. Revenue is earned in two main regions, being Canada and United States. The following is a breakdown of revenue by geographic areas based on the customers' location:

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Revenue				
Canada	\$ 355,049	\$ 110,266	\$ 853,069	\$ 458,212
United States	1,919,479	2,993,067	4,100,495	5,326,703
	\$ 2,274,528	\$ 3,103,333	\$ 4,953,564	\$ 5,784,915

All non-current assets are held in Canada.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2017 AND 2016***(expressed in Canadian dollars except number of shares)***22. Related Party Transactions**

The Company's related parties include its subsidiaries, key management personnel and companies related by way of directors or 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

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Salaries and short-term benefits	\$ 98,746	\$ 88,626	\$ 283,826	\$ 254,698
Share-based payment	2,065	-	21,327	-
	\$ 100,811	\$ 88,626	\$ 305,153	\$ 254,698

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 May 31, 2017 and August 31, 2016 are as follows:

	May 31, 2017	August 31, 2016
Chief Executive Officer	\$ 3,294	\$ 11,132
	\$ 3,294	\$ 11,132

Amounts due from and to related parties have been included in trade and other receivables and trade and other payables, respectively (note 13).

(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 (note 10). 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 nine months ended May 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 (US) 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 (notes 12 and 23).

During the year ended August 31, 2016, certain members of senior management had 1,554,816 common shares of the Company released from escrow (note 14).

23. Commitments and Contingencies

As of May 31, 2017, the Company's contractual obligations and contingencies are as follows:

- 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 May 31, 2017 are as follows:

2017	\$	36,886
2018		146,041
2019		138,519
2020		138,519
Thereafter		135,008
	\$	594,973

- b) The Company has agreed to pay a related party an annual fee of \$18,750 (US) 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 (notes 12 and 22).
- 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 (note 13).

24. Subsequent Events

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.