Gatekeeper Systems Inc.
Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
May 31, 2013

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

MANAGEMENT'S COMMENTS ON
UNAUDITED 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 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 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 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 Chartered Accountants, has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited interim consolidated financial statements by an entity's auditor.

Gatekeeper Systems Inc.
May 31, 2013

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Gatekeeper Systems Inc.

Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at May 31, 2013 $	As at August 31, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	6	504,558	162,007
Trade and other receivables	7	475,055	1,289,092
Inventories	8	667,398	907,974
Prepaid expenses and deposits		85,182	25,507
		1,732,193	2,384,580
Property, plant and equipment	9	194,934	149,260
Total assets		1,927,127	2,533,840
EQUITY AND LIABILITIES			
Current liabilities			
Bank indebtedness	10	-	206,268
Trade and other payables	11	296,184	1,031,455
Demand operating loan	12		254,620
Unearned revenue from extended warranty sales		1,200	4,397
Total liabilities		297,384	1,496,740
Equity			
Share capital	13	6,198,919	3,639,481
Contributed surplus		2,206,486	2,133,880
Deficit		(6,775,662)	(4,736,261)
Total equity		1,629,743	1,037,100
Total equity and liabilities		1,927,127	2,533,840

Corporate information, basis of presentation and going concern, subsequent events (Note 1, 2 and 20)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Doug Dyment" — Director

"Jonathan Jackson" — Director

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

Gatekeeper Systems Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Three Months Ended May 31		Nine months Ended May 31	
	Notes	2013 $	2012 $	2013 $	2012 $
Revenue		942,073	974,959	2,560,533	3,668,460
Cost of sales		784,154	563,558	1,952,565	1,804,345
		157,919	411,401	607,968	1,864,115
Expenses					
General and administrative	14	345,406	221,764	908,391	842,305
Selling and marketing		316,928	195,890	772,500	499,141
Research and development		70,563	137,535	259,950	455,071
		732,897	555,189	1,940,841	1,796,517
Income (loss) before other items		(574,978)	(143,788)	(1,332,873)	67,597
Other income (expense)					
Foreign exchange gain (loss)		(8,868)	(5,087)	(13,232)	(1,621)
Write-down of goodwill	4	-	-	(689,755)	-
Interest expense		154	(1,529)	(3,542)	(60,602)
		(8,531)	(6,616)	(706,529)	(62,223)
Net income (loss) and comprehensive income (loss) for the period		(583,510)	(150,404)	(2,039,402)	5,374
Earnings (loss) per share					
Basic	15	(0.03)	(0.01)	(0.10)	0.00
Diluted	15	(0.03)	(0.01)	(0.10)	0.00

Corporate information, basis of presentation and going concern, subsequent events (Note 1, 2 and 20)

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

Gatekeeper Systems Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Three Months Ended May 31		Nine months Ended May 31	
	2013 $	2012 $	2013 $	2012 $
OPERATING ACTIVITIES				
Income (loss) before tax	(583,510)	(150,404)	(2,039,401)	(94,576)
Adjustments for:				
Amortization	11,377	10,441	28,586	31,767
Share-based payments	-	-	21,422	-
Write-down of goodwill	-	-	689,755	-
Operating cash flows before movements in working capital				
Decrease (increase) in inventories	116,852	2,786	240,576	(78,221)
Decrease (increase) in trade and other receivables	119,702	(17,434)	829,452	656,419
Decrease in prepaid expenses and deposits	(15,943)	(543)	(59,676)	8,116
Increase (decrease) in trade and other payables	(303,586)	(80,429)	(1,218,245)	(400,965)
Decrease in unearned revenue	(1,000)	403	(3,197)	(20,493)
Cash provided by (used in) operating activities	(656,108)	(235,180	(1,510,727)	102,046
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	55,917	(2,523)	(75,269)	(9,973)
Disposal of property, plant and equipment	-	-	1,010	-
Reverse acquisition, net of cash received	-	-	256,805	-
Cash provided by (used in) investing activities	55,917	(2,523)	182,546	(9,973)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	-	-	1,877,000	501,730
Repayment of demand operating loan and line of credit	-	-	(206,268)	(485,202)
Cash provided by financing activities	-	-	1,670,732	16,528
Increase (decrease) in cash and cash equivalents	(711,827)	(237,703)	342,551	108,601
Cash and cash equivalents, beginning of period	1,216,385	485,545	162,007	139,241
Cash and cash equivalents, end of period	504,558	247,842	504,558	247,842

Corporate information, basis of presentation and going concern, subsequent events (Note 1, 2 and 20)

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

Gatekeeper Systems Inc.

Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share Capital				
	Number of shares	Amount $	Contributed Surplus $	Deficit $	Total $
Balances, August 31, 2011	19,347,532	2,977,958	2,116,700	(4,767,676)	326,982
Common shares issued for					
- Cash	1,831,123	457,781	-	-	457,781
- Services rendered	76,599	19,150	-	-	19,150
- Offset Class B preferred shares redeemed	400,000	100,000	-	-	100,000
- Settlement of debt	373,401	93,350	-	-	93,350
Class B preferred shares redeemed	(100)	(50)	-	(99,950)	(100,000)
Value assigned to warrants	-	(7,882)	7,882	-	-
Share issue costs	-	(826)	826	-	-
Share-based payments	-	-	8,472	-	8,472
Net income for the period	-	-	-	131,365	131,365
Balances, August 31, 2012	22,028,655	3,639,481	2,133,880	(4,736,261)	1,037,100
Common shares issued for					
- Cash	8,440,000	2,110,000	-	-	2,110,000
- Reverse acquisition	2,800,000	700,000	33,622	-	733,622
Value assigned to warrants	-	(15,149)	15,149	-	-
Share issue costs	-	(235,413)	2,413	-	(233,000)
Share-based payments	-	-	21,422	-	21,422
Net loss for the period	-	-	-	(1,455,892)	(1,455,892)
Balances, May 31, 2013	33,268,655	6,198,919	2,206,486	(6,999,061)	2,213,252

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

1. CORPORATE INFORMATION

Gatekeeper Systems Inc. (the "Company") is incorporated under the laws of the Province of British Columbia. The head office and principal business address is located at Suite 301, 31127 Wheel Avenue, Abbotsford, British Columbia, V2T 6H1. The registered and records office is located at Suite 1300, 777 Dunsmuir Street, Vancouver, BC, V7Y 1K2.

The Company is engaged in the research, development, manufacturing, selling and marketing of digital and analog mobile video recording surveillance systems for fleet safety, security and tracking purposes.

2. BASIS OF PREPARATION

2.1 Basis of consolidation

The unaudited condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary, Deep Development Corporation.

2.2 Basis of presentation

The Company's unaudited interim consolidated financial statements have been prepared on the going concern basis using the historical cost convention and are presented in Canadian dollars.

2.3 Going Concern

The interim financial statements for the nine months ended May 31, 2013 have been prepared using IFRS as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. For the nine months ended May 31, 2013, the Company reported a net loss and comprehensive loss of $2,039,402 and an accumulated deficit of $6,775,662 as at May 31, 2013. These circumstances cause material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to fund its operation and development programs as well as generate positive cash flows from operating activities. The Company does not have sufficient resources to meet its obligations for at least 12 months from the end of the reporting period. In recognition of these circumstances, management will need to pursue other financing alternatives to fund the Company's operations so that it may continue as a going concern. The necessary financing may be secured through either the exercise of existing warrants for the purchase of common shares, the issue of new equity or debt instruments; there is no assurance that these initiatives will be successful.

The interim condensed financial statements for the nine months ended May 31, 2013 do not reflect the adjustments to the carrying values and classifications of assets and liabilities, or to the reported revenues and expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations; such adjustments could be material.

2.4 Statement of compliance

The unaudited interim consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Accounting Standards ("IAS") 34, '*Interim Financial Reporting*' using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2.5 Adoption of new and revised standards and interpretations

At the date of authorization of these 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, 2013. The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

- IFRS 9 (Amended 2010)'*Financial Instruments: Classification and Measurement'(*effective January 1, 2015)
- IFRS 10 (Issued 2011) '*Consolidated Financial Statements*' (effective January 1, 2013)
- IFRS 11 (Issued 2011) '*Joint Arrangements (*effective January 1, 2013)
- IFRS 12 (Issued 2011) '*Disclosure of Interests in Other Entities (*effective January 1, 2013*)*
- IFRS 13 (Issued 2011) '*Fair Value Measurement'(*effective January 1, 2013)
- IAS 19 (Amended 2011) '*Employee Benefits*' (effective January 1, 2013)
- IAS 27 (Reissued 2011) '*Separate Financial Statements*'(effective January 1, 2013)
- IAS 28 (Reissued 2011) '*Investments in Associates and Joint Ventures'(*effective January 1, 2013)
- IAS 32 (Amended 2011)'*Offsetting Financial Assets and Financial Liabilities*'(effective January 1, 2013)
  IAS 1 (Amended 2011) '*Presentation of Financial Statements*' (effective January 1, 2013)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments, estimates and assumptions

The preparation of the Company's unaudited interim 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.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, 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.

3.3 Principles of consolidation

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

3.4 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.

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.

3.5 Inventories

Inventories are stated at lower of production cost and net realizable value. The cost for all inventories 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.

3.6 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 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.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the declining-balance method or straight-line method over the following expected useful lives:

• Automobile	30%
• Computer equipment	30%
• Computer software	100%
• Furniture and fixtures	20%
• Office equipment	20%
• Other equipment	20%
• Research and development equipment	20%
• Leasehold improvements	5 years

In the year of acquisition, one-half of the annual depreciation is recognized.

3.7 Revenue recognition

Sales revenues are recognized when the risks and rewards of ownership pass to the buyer, collection is reasonably assured and the price is reasonably determinable. The Company recognizes revenue from customer orders upon shipment of the order.

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

3.8 Research and development costs

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.

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.

3.9 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.

3.10 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 contributed surplus. 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.

3.11 Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.12 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.

Derivatives designated as hedging instruments in an effective hedge

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

3.13 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 and bank indebtedness 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.

3.14 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.

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 other comprehensive income.

3.15 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.

3.16 Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.
An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.17 Comparative figures

Certain comparative figures have been reclassified in accordance with the current period's presentation.

4. REVERSE ACQUISITION

Indigo Sky Capital Corporation ("Indigo") successfully completed its qualifying transaction (the "Qualifying Transaction") with Gatekeeper Systems Inc. ("Gatekeeper" or "the Company") on February 19, 2013. Pursuant to the Qualifying Transaction, Indigo acquired all of the issued and outstanding common shares and Class A preferred shares of Gatekeeper whereby former Gatekeeper shareholders received one common share of Indigo for each Gatekeeper common share held and one special warrant of Indigo for each Gatekeeper Class A preferred share held. The warrants are convertible into common shares for no additional consideration after 18 months and redeemable before 18 months at $0.37 per share at the option of the Company (the "Acquisition"). The outstanding common share purchase warrants of Gatekeeper were also exchanged for common share purchase warrants of Indigo on a 1:1 basis (Note 1).

The acquisition of Gatekeeper was accounted for as a reverse acquisition in accordance with the IFRS 3 '*Business Combinations*'. The Company determined for accounting and reporting purposes that Gatekeeper is the accounting acquirer and Indigo is the accounting acquiree because of the significant holdings and influence of the control group of the Company before and after the Qualifying Transaction. As a result of the Qualifying Transaction, the shareholders of Gatekeeper owned approximately 90% of the issued and outstanding common shares of Indigo on a diluted basis.

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

On May 28, 2013, the Company changed its name from Indigo Sky Capital Corp. to Gatekeeper Systems Inc.

(Expressed in Canadian dollars)

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

	$
Cash	52
Amounts receivable	272,169
Trade and other payables	(228,354)
Value of net assets	43,867
2,800,000 common shares	700,000
280,000 stock options	33,622
Consideration paid	733,622
Goodwill	689,755

As at May 31, 2013, the Company recorded a write-down of goodwill of $689,755 (2012: $Nil).

The fair value of the stock options has been estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.61%
Expected life	7.87 years
Expected volatility	42.12%
Expected dividend per share	-

The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

5. SEGMENTED INFORMATION

At May 31, 2013, the Company operates in two geographical areas, being Canada and the United States. The following is an analysis of the net income (loss), current assets and non-current assets by geographical area:

	Canada	United States	Total
	$	$	$
Revenue	175,652	2,384,881	2,560,533
Net income (loss)			
For the nine months period ended			
May 31, 2013	(139,903)	(1,899,499)	(2,039,402)
May 31, 2012	1,129)	4,245	5,374
Current assets			
As at May 31, 2013	1,732,193	-	1,732,193
As at August 31, 2012	2,384,580	-	2,384,580
Property and equipment			
As at May 31, 2013	194,934	-	194,934
As at August 31, 2012	149,260	-	149,260

6. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in the following currencies:

	As at May 31, 2013	As at August 31, 2012
	$	$
Denominated in Canadian dollars	296,264	27,138
Denominated in U.S. dollars	208,294	134,869
Total cash and cash equivalents	504,558	162,007

(Expressed in Canadian dollars)

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from two main sources: trade receivables due from sales to customers, Goods and Services Tax / Harmonized Sales Tax ("GST/HST") and investment tax credits receivable due from the government taxation authorities. These are as follows:

	As at May 31, 2013 $	As at August 31 2012 $
Trade receivables	442,867	805,064
GST/HST receivable	26,668	29,018
Investment tax credits receivable	-	455,010
Other receivables	5,520	-
Total trade and other receivables	475,055	1,289,092

As at May 31, 2013 the aging of the trade receivables was as follows:

	Current	**30+ Days**	**Total**
Trade Receivables	266,574	176,293	442,867

8. INVENTORIES

The Company's inventories are as follows:

	As at May 31, 2013 $	**As at August 31, 2012 $**
Raw materials	327,632	845,581
Finished goods	339,766	62,393
Total inventories	667,398	907,974

(Expressed in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

The Company's property and equipment as at May 31, 2013 are as follows:

	Cost	**Accumulated depreciation**	**Net book value**
	$	$	$
Automotive	300	68	232
Computer equipment	355,963	315,112	40,851
Computer software	77,301	77,041	260
Furniture and fixtures	46,623	40,745	5,877
Office equipment	48,276	42,825	5,451
Other equipment	268,603	209,562	59,041
Research and development equipment	148,614	118,304	30,310
Leasehold improvements	103,252	50,340	52,912
Total	1,048,932	853,999	194,934

During the six month period ended May 31, 2013, the Company disposed of property, plant and equipment for proceeds of $1,010 (2012: $Nil) resulting in a gain of $Nil (2012 - $Nil).

(Expressed in Canadian dollars)

The changes in the Company's property and equipment for the period ended May 31, 2013 as follows:

	Automotive	Computer equipment	Computer Software	Furniture and Fixtures	Office Equipment	Other Equipment	Research and Development	Leasehold Improvements	Total
	$	$	$	$	$	$	$	$	$
COST									
As at August 31,2012	4,387	345,160	77,056	46,623	48,276	262,675	146,004	47,569	977,750
Additions	-	10,803	245	-	-	5,928	2,610	55,683	75,269
Disposals	(4,087)	-	-	-	-	-	-	-	(4,087)
As at May 31, 2013	**300**	**355,963**	**77,301**	**46,623**	**48,276**	**268,603**	**148,614**	**103,252**	**1,048,932**
DEPRECIATION									
As at August 28,2012	3,077	313,797	76,260	39,708	41,863	193,257	112,959	47,569	828,490
Depreciation	68	1,315	781	1,037	962	16,305	5,345	2771	28,586
Disposals	(3,077)	-	-	-	-	-	-	-	(3,077)
As at May 31, 2013	**68**	**315,112**	**77,041**	**40,745**	**42,825**	**209,562**	**118,304**	**50,340**	**853,999**
NET BOOK VALUE									
As at August 31,2012	1,310	31,363	796	6,915	6,413	69,418	33,044	-	149,260
As at May 31, 2013	**232**	**40,851**	**260**	**5,877**	**5,451**	**59,041**	**30,310**	**52,912**	**194,934**

(Expressed in Canadian dollars)

10. BANK INDEBTEDNESS

	As at May 31, 2013 $	**As at August 31, 2012 $**
Canadian Western Bank line of credit to a maximum of $215,000, interest at the bank's prime rate plus 2.25% and was due on demand.	-	206,268
Total bank indebtedness	-	206,268

The Company credit cards are secured, by cash, with Canadian Western Bank for $75,000 and with Royal Bank of Canada for $5,000.

11. TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

	As at May 31, 2013 $	**As at August 31, 2012 $**
Trade payables	63,158	422,543
Salaries and benefits payable	109,572	94,949
Accrued liabilities	123,454	513,963
Total trade and other payables	296,184	1,031,455

The Company provides a one to five year warranty with respect to its product sales. The warranty provision in this period's unaudited interim consolidated financial statements includes management's best estimate of the total costs of all raw materials, labor and travel expenses required to repair all known issues related to all products that were sold and shipped prior to the end of the period. Included in trade and other payables as at May 31, 2013 is $82,500 (August 31, 2012: $82,500) related to accrued warranty liability.

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of Gatekeeper Processing Inc. ("GSIP") at $0.25 per share for a total value of $93,350 included in trade and other payables (Notes 12, 17 and 18).
On November 24, 2011, the Company issued 76,599 common shares at $0.25 per share for a total of $19,150 to settle accounts payable related to services rendered to the Company. Of this total

(Expressed in Canadian dollars)

amount, 48,059 common shares were issued to officers of the Company for a total of $12,015 (Notes 12, 17 and 18).

Amounts due to related parties have been included in trade and other payables (Note 17).

12. LOANS PAYABLE

	As at May 31 2013 $	As at August 31 2012 $	As at August 31 2011 $
August 31, 2011	-	-	260,814
On May 20, 2011, Indigo Sky Capital Corp. ("Indigo Sky") issued a loan of $225,000 to the Company. The loan bears interest at a rate of 10% per annum, repayable on the earlier of the closing date and termination of the Letter of Intent ("LOI") dated April 8, 2011 or the Definitive Agreement and is secured by a general security agreement creating a security interest over all of the Company's present and after-acquired assets with such security interest to rank after any security interest granted to Espresso, the Royal Bank of Canada demand operating loan and Canadian Western Bank line of credit (Note 10). The loan payable to Indigo Sky of $254,620 at 31 August 2012 (31 August 2011: $231,350, 1 September 2010: $Nil) consists of principal and accrued interest of $225,000 (31 August 2011: $225,000, 1 September 2010: $Nil) and $29,620 (31 August 2011: $6,350, 1 September 2010: $Nil), respectively (Note 22).	-	254,620	231,350
Total loans payable	-	254,620	492.164

13. SHARE CAPITAL

13.1 Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

A total of 11,209,440 common shares are in escrow and thus, have been excluded from the weighted average number of common shares outstanding.

13.2 Shares issuances

On February 19, 2013, the former Gatekeeper shareholders received one common share of the Company for each Gatekeeper common share held related to the completion of the Qualifying Transaction (Note 4).

On February 19, 2013, the Company issued 8,000,000 units at a price of $0.25 per unit for total proceeds of $2,000,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which entitlement will expire 12 months following the date of the issuance of the share purchase warrant. In addition, finder fees consisting of a cash payment of $233,000 and 640,000 share purchase warrants at an exercise price of $0.50 per share which exercise entitlement will expire on February 19, 2014.

On February 15, 2013, the Company issued 440,000 units at a price of $0.25 per unit for total proceeds of $110,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which entitlement will expire 12 months following the date of the issuance of the share purchase warrant.

On June 4, 2012, the Company issued 320,000 units at a price of $0.25 per unit for total proceeds of $80,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the share purchase warrant. In addition, the Company issued 25,600 agent share purchase warrants at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the agent share purchase warrants.

On February 29, 2012, the Company issued 471,123 units at a price of $0.25 per unit for total proceeds of $117,781. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the share purchase warrants.

On May 31, 2012, the Company issued 840,000 units at a price of $0.25 per unit for total proceeds of $210,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the share purchase warrant. In addition, the Company issued 57,600 agent share purchase warrants at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the agent share purchase warrants.

On February 2, 2012, the Company issued 200,000 units at a price of $0.25 per unit for total proceeds of $50,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the share purchase warrant. In addition, the Company issued 16,000 agent share purchase warrants at an exercise price of $0.50 per share which exercise entitlement expires 12 months following the date of issuance of the agent share purchase warrants.

(Expressed in Canadian dollars)

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of Gatekeeper Processing Inc. at $0.25 per share for a total value of $93,350 which was included in trade and other payables (Notes 11, and 17).

On 24 November 2011, the Company issued 76,599 common shares at $0.25 per share for a total of $19,150 to settle accounts payable related to services rendered to the Company. Of this total amount of common shares, 48,059 common shares were issued to officers of the Company for a total of $12,015 (Notes 11 and 17).

Prior to the completion of the Qualifying Transaction, on 24 November 2011, Gatekeeper redeemed 100 Class B preferred shares at a redemption price of $1,000 per share for a total redemption of $100,000 from a director and officer of Gatekeeper (Note 17). Class B preferred shares are redeemable at the option of Gatekeeper on 21 days' notice at a price of $1,000 per share. Subsequent to this transaction, there were Nil Class B preferred shares outstanding.

On 24 November 2011, the Company issued 400,000 common shares to a director and officer of the Company at $0.25 per share for a total value of $100,000 to offset the aggregate redemption amount of $100,000 for Class B preferred shares (Note 17).

13.3 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the period ended May 31, 2013:

	2013		**2012**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
		$		$
Outstanding, beginning of period	1,014,761	0.50	-	-
Reverse acquisition	5,405,405	-	-	-
Granted	4,860,000	0.50	1,014,761	0.50
Exercised	-	-	-	-
Forfeited	(829,161)	0.50	-	-
Outstanding, end of period	10,451,005	0.24	1,014,761	0.50

(Expressed in Canadian dollars)

The following table summarizes information regarding share purchase warrants outstanding as at May 31, 2013.

Number of warrants	Exercise price	Expiry date
185,600	$0.50	4 June 2013
220,000	$0.50	15 February 2014
4,640,000	$0.50	19 February 2014
5,405,405	$0.00	19 August 2014
10,451,005		

13.4 Stock options

On April 3, 2013, the Company approved a new Stock Option Plan that was subsequently approved by the Toronto Stock Exchange. The company may grant options to its employees for up to 10% of the rolling outstanding shares. The exercise price of each option is equal or greater than the market price of the Company's stock on the date of grant and expires after a maximum term of 10 years. The options can be granted throughout the year and are vested upon conditions set by the Board of Directors, when they are granted.

The following is a summary of the changes in the Company’s stock options for the period ended May 31, 2013:

	Period ended May 31,			
	2013		2012	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Outstanding beginning of period	2,062,500	0.47	1,962,500	0.48
Reverse acquisition	280,000	0.25	-	-
Granted	160,000	0.25	100,000	0.25
Exercised	-	-	-	-
Cancelled	(470,000)	0.60	-	-
Outstanding, end of period	2,032,500	0.39	2,062,500	0.47

(Expressed in Canadian dollars)

	Period ended May 31, 2013 $	2012 $
Risk free interest rate	1.61%	1.53%
Expected life	10 years	5 years
Expected volatility	42.20%	35.97%
Expected dividend per share	-	-

The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

The following table summarizes information regarding stock options outstanding and exercisable as at May 31, 2013.

Exercise price	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted average exercise Price $
Options outstanding			
$0.20 - $0.29	540,000	7.75	0.25
$0.30 - $0.39	1,000,000	5.10	0.37
$0.60 - $0.69	492,500	5.10	0.60
Total options outstanding, at end of period	2,032,500		
Options exercisable			
$0.20 - $0.29	540,000	7.75	0.25
$0.30 - $0.39	1,000,000	5.10	0.37
$0.60 - $0.69	492,500	5.10	0.60
Total options exercisable, at end of period	2,032,500		

(Expressed in Canadian dollars)

14. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the Company are broken down as follows:

	Three Months Ended May 31,		Nine months Ended May 31,	
	2013 $	2012 $	2013 $	2012 $
Accounting and legal fees	21,693	45,390	132,983	182,435
Automotive	1,732	2,299	18,231	9,727
Bad debts	-	-	-	(1,228)
Bank charges and interest	6,301	9,229	17,947	30,929
Consulting fees	-	6,000	5,275	9,000
Amortization	11,377	10,441	28,586	31,767
Insurance, license and fees	16,408	17,848	42,140	54,318
Investor relation	31,391	-	39,741	-
Office and miscellaneous	79,665	44,019	158,835	108,638
Rent	25,984	24,016	74,017	72,049
Salaries and benefits	146,930	89,228	347,650	351,734
Share-based payments	-	-	21,422	-
Utilities	3,924	6,419	21,564	21,686
Total general and administrative expenses	345,406	264,889	908,391	871,055

15. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Three Months Ended May 31,		Nine months Ended May 31,	
	2013 $	2012 $	2013 $	2012 $
Net income (loss) for the period	(583,510)	(150,404)	(1,455,892)	5,374
Weighted average number of shares – basic and diluted	16,714,900	10,343,094	14,147,193	9,754,625
Earnings (loss) per share, basic and diluted	(0.03)	(0.01)	(0.10)	0.00

The basic earnings (losses) per share are computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants were anti-dilutive since the average fair market value of the common shares did not exceed the exercise price of the stock options and share purchase warrants for the period ended May 31, 2013 and 2012. A total of 11,209,440 common shares are in escrow and thus, have been excluded from the weighted average number of common shares outstanding. The escrow shares are held for a minimum of three years, as per the British Columbia Eligible Business Corporation Tax Credit program.

16. CAPITAL RISK MANAGEMENT

The Company’s objectives are to safeguard the Company’s ability to continue as a going concern in order to support the Company’s normal operating requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition. To maintain or adjust the capital structure, the Company may attempt to issue new shares or issue new debt.

There were no changes in the Company’s approach to capital management during the period ended May 31, 2013. The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not expect to pay dividends.

(Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS

17.1 Categories of financial instruments

	As at May 31, 2013	As at August 31 30, 2012
	$	$
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash and cash equivalents	504,558	162,007
Loans and receivables, at amortized cost		
Trade receivables	475,055	1,289,092
Total financial assets	797,613	1,451,099
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade and other payables	296,184	1,031,455
Total financial liabilities	296,184	1,031,455

17.2 Fair value

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.
- 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, 2013, the Company does not have any Level 2 of Level 3 financial instruments.

(Expressed in Canadian dollars)

	As at May 31, 2013 $	As at August 31 30, 2012 $
LEVEL 1		
Financial assets at fair value		
Cash and cash equivalents	504,558	162,007
Total financial assets at fair value	504,558	162,007

There were no transfers between Level 1 and 2 in the six month period ended May 31, 2013.

17.3 Management of financial risks

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

Credit risk

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

Liquidity risk

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

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

Interest rate risk

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

Currency risk

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

The Company realizes approximately 87% 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 economically hedge a portion of foreign currency fluctuations.

18. RELATED PARTY TRANSACTIONS

18.1 Due from/to related parties

The assets and liabilities of the Company include the following amounts due from/to related parties:

	As at May 31, 2013 $	**As at August 31 30, 2012 $**
Chairman of the Board / Chief Executive Officer and President	10	14,468
ZAMD	-	16,000
Total amount due to related parties	10	30,468

Amounts due to the above related party have been included in trade and other payables (Note 11). In addition, amounts due to the above related party are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian dollars)

18.2 Key management personnel compensation

The remuneration of the Chairman of the Board/Chief Executive Office/ President and the Vice President of Finance and Operations, Vice President of Product Development, and Vice President of Sales were as follows:

	Three Months Ended May 31,		**Nine months Ended May 31,**	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Salaries and benefits	100,000	85,000	270,000	255,000
Total key management personnel compensation	100,000	85,000	270,000	255,000

18.3 Other related party transactions

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of Gatekeeper Process Inc. at $0.25 per share for a total value of $93,350 were included in trade and other payables (Notes 11, 12 and 18). The balance owing to these creditors as at 20 January 2012 was $93,350 consisting of principal of $80,000 and accrued interest of $13,350. In addition, the Company made cash payment of $117,781 consisting of principal and accrued interest of $100,000 and $17,781 to settle amounts owing to one of the creditors on 29 February 2012.

On November 24, 2011, the Company issued 48,059 common shares to certain officers of the Company for a total of $12,015 to settle trade payables related to services rendered to the Company (Notes 11 and 12).

On November 24, 2011, the Company issued 400,000 common shares to a director and officer of the Company at $0.25 per share for a total value of $100,000 to offset the aggregate redemption amount of $100,000 of Class B preferred shares (Note 12).

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of Gatekeeper Processing Inc. at $0.25 per share for a total value of $93,350 were included in trade and other payables (Notes 11, 12 and 17).

On November 24, 2011, the Company issued 76,599 common shares at $0.25 per share for a total of $19,150 to settle trade payables related to services rendered to the Company. Of this total amount, 48,059 common shares were issued to officers of the Company for a total of $12,015 (Notes 11, 12 and 17).

19. CONTINGENCY

In 2002, a company filed a lawsuit against the Company in relation to the Company hiring an employee from one of its competitors. The Company was of the view that the allegations were without merit and defended its position to the fullest extent possible. The Company filed a statement of defense in September 2002 and the plaintiff did not pursue further action. On December 8, 2011, the Company received a Notice of Discontinuance to discontinue the proceeding without costs to any party.

20. SUBSEQUENT EVENTS

On July 15, 2013, the Company's line of credit was withdrawn by The Canadian Western Bank. The Company is currently reviewing similar alternative arrangements.