



Consolidated financial statements of  
**GATEKEEPER SYSTEMS INC.**  
For the years ended August 31, 2013 and 2012

# JAMES STAFFORD

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## INDEPENDENT AUDITOR'S REPORT

**James Stafford, Inc.**  
**Chartered Accountants**  
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### **To the Shareholders of Gatekeeper Systems Inc. (formerly Indigo Sky Capital Corp.)**

We have audited the accompanying consolidated financial statements of Gatekeeper Systems Inc. (formerly Indigo Sky Capital Corp.) (the “Company”) which comprise the consolidated statements of financial position as at 31 August 2013 and 2012 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows and shareholders’ equity for the years ended 31 August 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

#### *Management’s Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2013 and 2012 and the results of its operations and its cash flows for the years ended 31 August 2013 and 2012 in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

*“James Stafford – Signed”*

**Chartered Accountants**  
Vancouver, Canada  
18 December 2013

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT**

*(expressed in Canadian dollars)*

	<b>AUGUST 31, 2013</b>	<b>AUGUST 31, 2012</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (see note 7)	\$ 191,104	\$ 162,007
Trade and other receivables (see note 8)	725,441	1,289,092
Inventories (see note 9)	501,655	907,974
Prepaid expenses and other current assets	35,154	25,507
	1,453,354	2,384,580
<b>Non-Current Assets</b>		
Property, plant and equipment (see note 10)	189,035	149,260
<b>Total Assets</b>	<b>\$ 1,642,389</b>	<b>\$ 2,533,840</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Bank indebtedness (see note 11)	\$ -	\$ 206,268
Trade and other payables and accrued liabilities (see note 12)	698,155	1,035,852
Loans payable (see note 13)	-	254,620
<b>Total Liabilities</b>	698,155	1,496,740
<b>Shareholders' Equity</b> (see notes 14, 15 and 16)	944,234	1,037,100
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,642,389</b>	<b>\$ 2,533,840</b>

**GOING CONCERN** (see note 1)  
**COMMITMENTS** (see note 25)  
**SUBSEQUENT EVENTS** (see note 26)

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

**"Beverly Bartlett"**  
*(signed)*

Director

**"Gary Cope"**  
*(signed)*

Director

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

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED**

<i>(expressed in Canadian dollars)</i>	<b>August 31, 2013</b>	<b>August 31, 2012</b>
<b>Revenues</b>	\$ 3,839,703	\$ 5,152,251
<b>Cost of Sales</b>	2,401,480	2,505,030
<b>Gross Profit</b>	1,438,223	2,647,221
<b>Operating Expenses</b>		
General and administrative (see note 17)	1,317,845	1,229,923
Selling and marketing	1,117,211	725,857
Research and development	495,488	254,801
	2,930,544	2,210,581
<b>Operating Income (Loss)</b>	(1,492,321)	436,640
<b>Other Income (Expenses)</b>		
Foreign exchange	23,246	(47,487)
Gain on disposal of property, plant and equipment (see note 10)	1,190	4,080
Write-down of inventory (see note 9)	(480,539)	(79,868)
Provision for inventory purchase order commitment (see note 12)	-	(182,000)
Listing expense (see note 6)	(683,038)	-
<b>Income (Loss) Before Taxes</b>	(2,631,462)	131,365
<b>Net Income (Loss) and Comprehensive Income (Loss) for the year</b>	\$ (2,631,462)	\$ 131,365
<b>Earnings Per Share</b> (see note 19)		
Basic	\$(0.12)	\$0.01
Diluted	\$(0.12)	\$0.01

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

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED**

*(expressed in Canadian dollars)*

	<b>August 31, 2013</b>	<b>August 31, 2012</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Net income (loss)	\$ (2,631,462)	\$ 131,365
Items not affecting cash from operations –		
Accrued interest	-	99,335
Depreciation	50,101	51,328
Gain on disposal of property, plant and equipment	(1,190)	(4,080)
Write-down of inventory	480,539	79,868
Listing expense	683,038	-
Provision for inventory purchase commitment	-	182,000
Share-based payments	86,377	8,472
	(1,332,597)	548,288
Changes in non-cash working capital balances related to operations –		
Decrease (Increase) in trade and other receivables	845,350	(85,511)
Decrease (Increase) in inventories	(74,220)	(236,381)
Decrease (Increase) in prepaid expenses and other current assets	(9,647)	13,172
(Decrease) Increase in trade and other payables	(570,728)	(127,679)
(Decrease) Increase in loan payable	(254,620)	-
	(1,396,462)	111,889
<b>Cash Flows used in Investing Activities</b>		
Cash acquired upon reverse acquisition	52	-
Purchase of property, plant and equipment	(90,886)	(9,973)
Proceeds from disposal of property, plant and equipment	2,200	6,673
	(88,634)	(3,300)
<b>Cash Flows (from) used in Financing Activities</b>		
Proceeds from issuance of common shares	2,110,000	457,781
Share issuance costs	(389,539)	-
Repayment of line of credit	(206,268)	-
Repayment of demand operating loan	-	(543,604)
	1,514,193	(85,823)
<b>Increase in Cash and Cash Equivalents</b>	29,097	22,766
<b>Cash and Cash Equivalents – Beginning of Year</b>	162,007	139,241
<b>Cash and Cash Equivalents – End of Year</b>	\$ 191,104	\$ 162,007

**SUPPLEMENTAL INFORMATION** (see note 22)

**GATEKEEPER SYSTEMS INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

*(expressed in Canadian dollars)*

	Common Shares		Class A Preferred Shares		Class B Preferred Shares		Contributed Surplus	Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance – August 31, 2012</b>	22,028,655	\$ 3,639,481	5,405,405	\$ 2,000,000	-	\$ -	\$ 133,880	\$ (4,736,261)	\$ 1,037,100
Net (loss) for the year	-	-	-	-	-	-	-	(2,631,462)	(2,631,462)
Shares issued for:									
Cash (see note 14)	8,440,000	2,110,000	-	-	-	-	-	-	2,110,000
Reverse acquisition (see note 6)	2,800,000	700,000	-	-	-	-	31,758	-	731,758
Conversion of Class A Preferred Shares to Special Warrants of Indigo (see note 15)	-	-	(5,405,405)	(2,000,000)	-	-	2,000,000	-	-
Conversion of Special Warrants to Class A Preferred Shares of Indigo (see note 15)	-	-	5,405,405	2,000,000	-	-	(2,000,000)	-	-
Value assigned to warrants	-	(5,884)	-	-	-	-	5,884	-	-
Share –based payments (see note 16)	-	-	-	-	-	-	86,377	-	86,377
Share issuance costs	-	(390,316)	-	-	-	-	777	-	(389,539)
<b>Balance – August 31, 2013</b>	33,268,655	\$ 6,053,281	5,405,405	\$ 2,000,000	-	\$ -	\$ 258,676	\$ (7,367,723)	\$ 944,234
<b>Balance – August 31, 2011</b>	19,347,532	\$ 2,977,908	5,405,405	\$ 2,000,000	100	\$ 50	\$ 116,700	\$ (4,767,676)	\$ 326,982
Net income for the year	-	-	-	-	-	-	-	131,365	131,365
Shares issued for:									
Cash (see note 14)	1,831,123	457,781	-	-	-	-	-	-	457,781
Services rendered (see note 14(ix))	76,599	19,150	-	-	-	-	-	-	19,150
Offset Class B Preferred Shares redeemed	400,000	100,000	-	-	-	-	-	-	100,000
Settlement of debt (see note 14(viii))	373,401	93,350	-	-	-	-	-	-	93,350
Class B Preferred Shares redeemed (see note 14(ix))	-	-	-	-	(100)	(50)	-	(99,950)	(100,000)
Value assigned to warrants	-	(7,882)	-	-	-	-	7,882	-	-
Share –based payments	-	-	-	-	-	-	8,472	-	8,472
Share issuance costs	-	(826)	-	-	-	-	826	-	-
<b>Balance – August 31, 2012</b>	22,028,655	\$ 3,639,481	5,405,405	\$ 2,000,000	-	\$ -	\$ 133,880	\$ (4,736,261)	\$ 1,037,100

**GATEKEEPER SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

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*(expressed in Canadian dollars except number of shares)*

**1. Description of Business and Nature of Operations**

GSI Systems Inc. (formerly Gatekeeper Systems Inc.) ("GSI" or "Gatekeeper") was incorporated under the laws of the Province of British Columbia under the name of RDR Marketing Ltd. on July 7, 1992. The company subsequently changed its name to Dymont & Associates Marketing Ltd. and later to Gatekeeper Systems Inc. On April 26, 2013, Gatekeeper changed its name to GSI Systems Inc.

Gatekeeper Systems Inc. (formerly Indigo Sky Capital Corporation) ("Indigo") was incorporated under the provisions of the Business Corporations Act in the Province of British Columbia on August 26, 2010. On January 7, 2011, Indigo's common shares were listed on the TSX Venture Exchange ("TSX-V") under the symbol "IDS.P". On May 28, 2013, Indigo changed its name to Gatekeeper Systems Inc. and its trading symbol on the TSX-V to "GSI".

On February 19, 2013, Indigo completed its qualifying transaction (the "Qualifying Transaction") with Gatekeeper. 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 ("Special Warrant") of Indigo for each Gatekeeper Class A preferred share held. Special Warrants were convertible into preferred shares of Indigo for no additional consideration. The outstanding common share purchase warrants of Gatekeeper were also exchanged for common share purchase warrants of Indigo on a 1:1 basis. In addition, all outstanding Gatekeeper stock options were cancelled and Indigo stock options were issued as replacement options under new terms.

Upon closing of the Qualifying Transaction, the shareholders of Gatekeeper owned 90% of the issued and outstanding common shares of Indigo, on a diluted basis, and as a result, the Qualifying Transaction is considered a reverse acquisition of Indigo by Gatekeeper (see note 6), where Gatekeeper is considered the acquirer and Indigo is the acquiree for accounting purposes. As a result, these consolidated financial statements are a continuation of the financial statements of Gatekeeper and references to the "Company" will mean the combined entity subsequent to the date of the Qualifying Transaction and to Gatekeeper prior to that date.

The Company's consolidated financial statements as at August 31, 2013 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a net loss of \$2,631,462 for the year ended August 31, 2013 (2012 – net income of \$131,365) and has a working capital of \$755,199 at August 31, 2013 (2012 – \$887,840).

The Company had cash and cash equivalents of \$191,104 at August 31, 2013 (2012 – \$162,007), 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. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company 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. Also, the registered and records office is located at 10th floor, 595 Howe Street Vancouver, British Columbia, V6C 2T5.

**2. Basis of Preparation, Statement of Compliance and Adoption of International Financial Reporting Standards**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended August 31, 2013 and were approved by the Board of Directors on December 17, 2013.

The Company's consolidated financial statements have been prepared on a going concern under the historical cost basis except for certain financial instruments which are measured at fair value, as explained in note 20, 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 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.

**(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.



**GATEKEEPER SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

*(expressed in Canadian dollars except number of shares)*

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.

**(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 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 of property, plant and equipment is calculated using the following methods:

<b>Asset</b>	<b>Method</b>	<b>Basis</b>
Automobile	Declining balance	30%
Computer equipment	Declining balance	30%
Computer software	Declining balance	100%
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Other equipment	Declining balance	20%
Research and development equipment	Declining balance	20%
Leasehold improvements	Straight-line	5 years

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

Gains and losses on disposals 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 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.

**(h) Research and Development Costs**

The Company is engaged 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 as follows:

- 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 deferred to date.

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 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.

**(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.

**(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.

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.

*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.

*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.

**(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.

**(t) Comparative Figures**

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

**(u) Change in Accounting Policy**

The Company adopted International Accounting Standard ("IAS") 1 (Amendment) 'Presentation of Financial Statements' effective September 1, 2012, which includes amendments of items and other comprehensive income. The adoption of IAS 1 did not result in a significant impact on the Company's consolidated financial statements.

#### **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 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.

##### **(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) Warranty reserve**

Provisions are made at the time of sale for warranties, which are based on historical experience and are regularly monitored. If estimates for warranties and returns are too low, additional charges could be incurred in future periods and these additional charges could have a material adverse effect on the financial position and results of operations.

#### **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 year ended August 31, 2013:

- (i) IFRS 9 'Financial Instruments: Classification and Measurement' is a new financial instruments standard effective for annual periods beginning on or after January 1, 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.
- (ii) IFRS 10 'Consolidated Financial Statements' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces consolidation requirements in IAS 27 (as amended in 2008) and SIC-12.
- (iii) IFRS 11 'Joint Arrangements' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces IAS 31 and SIC-13.
- (iv) IFRS 12 'Disclosure of Interests in Other Entities' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.

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- (v) IFRS 13 'Fair Value Measurement' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces fair value measurement guidance in other IFRSs.
- (vi) IAS 19 (Amendment) 'Employee Benefits' is effective for annual periods beginning on or after January 1, 2013 and revises recognition and measurement of post-employment benefits.
- (vii) IAS 27 (Amendment) 'Separate Financial Statements' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- (viii) IAS 28 (Amendment) 'Investments in Associates and Joint Ventures' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- (ix) IAS 32 (Amendment) 'Financial Instruments: Presentation' is effective for annual periods beginning on or after January 1, 2014 and revises certain aspects of the requirements on offsetting.

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



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**6. Reverse Acquisition**

Indigo successfully completed its Qualifying Transaction with Gatekeeper on February 19, 2013. Pursuant to the Qualifying Transaction, Indigo acquired all of the issued and outstanding common shares and Class A preferred shares of Gatekeeper whereby former Gatekeeper shareholders received one common share of Indigo for each Gatekeeper common share held and one Special Warrant of Indigo for each Gatekeeper Class A preferred share held. The Special Warrants were convertible into Class A preferred shares of Indigo for no additional consideration. The outstanding common share purchase warrants of Gatekeeper were also exchanged for common share purchase warrants of Indigo on a 1:1 basis (see note 15). In addition, all outstanding stock options of Gatekeeper were cancelled and Indigo stock options were issued as replacement options under new terms (see note 16). During the year ended August 31, 2013, all Special Warrants were converted into Class A preferred shares of Indigo.

As a result of the Qualifying Transaction, the shareholders of Gatekeeper owned approximately 90% of the issued and outstanding common shares of Indigo on a diluted basis. For accounting and reporting purposes, Gatekeeper is the accounting acquirer and Indigo is the accounting acquiree because of the significant holdings and influence of the control group of Gatekeeper before and after the Qualifying Transaction. The reverse acquisition has been accounted for as a share-based payment transaction on the basis that Indigo did not meet the definition of a business because Indigo is a shell based company with no ongoing business operations. As a result, the difference between the fair value of the consideration deemed to have been paid by the accounting acquirer and the fair value of the identifiable net assets of the accounting acquiree is expensed.

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

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

<b>Consideration paid</b>	
2,800,000 common shares	\$ 700,000
280,000 stock options	31,758
	<hr/>
	731,758
<b>Less: Value of net assets</b>	
Cash	52
Amounts receivable	281,699
Trade and other payables	(233,031)
	<hr/>
	(48,720)
	<hr/>
<b>Listing expense</b>	<b>\$ 683,038</b>

The fair value of the stock options have been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 1.78% per annum, an expected life of 7.89 years, an expected volatility of 38.63%, and no expected dividend. The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information.

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**7. Cash and Cash Equivalents**

	<b>August 31 2013</b>	<b>August 31 2012</b>
Denominated in Canadian dollars	\$ 117,148	\$ 27,138
Denominated in U.S. dollars	73,956	134,869
	<b>\$ 191,104</b>	<b>\$ 162,007</b>

As at August 31, 2013, total cash of \$75,000 (2012 - \$nil) and \$5,000 (2012 - \$nil) is secured against the Company's credit cards and held in a GIC, respectively, and is designated as restricted cash.

**8. Trade and Other Receivables**

	<b>August 31 2013</b>	<b>August 31 2012</b>
Trade receivables	\$ 693,284	\$ 805,064
Goods and Services Tax/Harmonized Sales Tax receivable	32,157	29,018
Investment tax credits receivable	-	455,010
	<b>\$ 725,441</b>	<b>\$ 1,289,092</b>

Included in trade and other receivables of the Company are amounts due from related parties (see note 24). The amounts are unsecured, interest free and repayable upon written notice given from the Company.

**9. Inventories**

	<b>August 31 2013</b>	<b>August 31 2012</b>
Raw materials	\$ 214,940	\$ 834,689
Finished goods	286,715	73,285
	<b>\$ 501,655</b>	<b>\$ 907,974</b>

For the year ended August 31, 2013, the cost of inventories recognized as an expense and included in cost of sales was \$2,401,480 (2012 - \$ 2,505,030).

For the year ended August 31, 2013, a write-down of inventories of \$480,539 (2012 - \$79,868) was recorded.

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**10. Property, Plant and Equipment**

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net book value</b>
Automotive	\$ 300	\$ 90	\$ 210
Computer equipment	362,026	326,188	35,838
Computer software	92,176	84,616	7,560
Furniture and fixtures	46,623	41,091	5,532
Office equipment	48,276	43,146	5,130
Other equipment	262,675	207,141	55,534
Research and development equipment	148,614	120,087	28,527
Leasehold improvements	103,859	53,155	50,704
	<b>\$ 1,064,549</b>	<b>\$ 875,514</b>	<b>\$ 189,035</b>

During the year ended August 31, 2013, the Company disposed of property, plant and equipment for total proceeds of \$2,200 (2012 - \$6,673), resulting in a gain of \$1,190 (2012 - \$4,080).

**Finance leases**

During the year ended August 31, 2013, the Company entered into a finance lease arrangement whereby the Company would lease computer equipment over a period of 12 months, with the option to purchase the equipment for \$1 at the end of the lease term. The Company recorded an asset under computer equipment with a corresponding finance lease obligation totaling \$9,296. The implied interest rate of the lease was in the range of 7% to 8%. As at August 31, 2013, the obligation was \$815 (2012 - \$nil) and the carrying value related to the leased equipment was \$8,178 (2012 - \$nil).

Required undiscounted payments are as follows:

<b>Undiscounted future payments</b>	
2014	\$ 829
Less: Future finance charges	(14)
Present value of minimum future payments	\$ 815
Current portion of obligation under finance lease	\$ 815
Long-term portion of obligation under finance lease	-

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The changes in the Company's property, plant and equipment for the years ended August 31, 2013 and 2012 are as follows:

<b>Cost</b>	<b>Automotive</b>	<b>Computer equipment</b>	<b>Computer Software</b>	<b>Furniture and Fixtures</b>	<b>Office Equipment</b>	<b>Other Equipment</b>	<b>Research and Development</b>	<b>Leasehold Improvements</b>	<b>Total</b>
August 31, 2011	\$ 4,387	\$ 339,880	\$ 76,146	\$ 46,623	\$ 48,276	\$ 265,565	\$ 146,004	\$ 47,569	\$ 974,450
Additions	-	5,280	910	-	-	3,783	-	-	9,973
Disposals	-	-	-	-	-	(6,673)	-	-	(6,673)
August 31, 2012	4,387	345,160	77,056	46,623	48,276	262,675	146,004	47,569	977,750
Additions	-	16,866	15,120	-	-	-	2,610	56,290	90,886
Disposals	(4,087)	-	-	-	-	-	-	-	(4,087)
August 31, 2013	\$ 300	\$ 362,026	\$ 92,176	\$ 46,623	\$ 48,276	\$ 262,675	\$ 148,614	\$ 103,859	\$ 1,064,549

<b>Depreciation</b>	<b>Automotive</b>	<b>Computer equipment</b>	<b>Computer Software</b>	<b>Furniture and Fixtures</b>	<b>Office Equipment</b>	<b>Other Equipment</b>	<b>Research and Development</b>	<b>Leasehold Improvements</b>	<b>Total</b>
August 31, 2011	\$ 2,560	\$ 296,516	\$ 76,146	\$ 38,060	\$ 40,335	\$ 174,975	\$ 105,081	\$ 47,569	\$ 781,242
Depreciation	517	17,281	114	1,648	1,528	22,362	7,878	-	51,328
Disposal	-	-	-	-	-	(4,080)	-	-	(4,080)
August 31, 2012	3,077	313,797	76,260	39,708	41,863	193,257	112,959	47,569	828,490
Depreciation	90	12,391	8,356	1,383	1,283	13,884	7,128	5,586	50,101
Disposal	(3,077)	-	-	-	-	-	-	-	(3,077)
August 31, 2013	\$ 90	\$ 326,188	\$ 84,616	\$ 41,091	\$ 43,146	\$ 207,141	\$ 120,087	\$ 53,155	\$ 875,514

<b>Net Book Value</b>	<b>Automotive</b>	<b>Computer equipment</b>	<b>Computer Software</b>	<b>Furniture and Fixtures</b>	<b>Office Equipment</b>	<b>Other Equipment</b>	<b>Research and Development</b>	<b>Leasehold Improvements</b>	<b>Total</b>
August 31, 2011	\$ 1,827	\$ 43,364	\$ -	\$ 8,563	\$ 7,941	\$ 90,590	\$ 40,923	\$ -	193,208
August 31, 2012	\$ 1,310	\$ 31,363	\$ 796	\$ 6,915	\$ 6,413	\$ 69,418	\$ 33,045	\$ -	149,260
August 31, 2013	\$ 210	\$ 35,838	\$ 7,560	\$ 5,532	\$ 5,130	\$ 55,534	\$ 28,527	\$ 50,704	\$ 189,035

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**11. Bank Indebtedness**

	<b>August 31 2013</b>	<b>August 31 2012</b>
Balance – beginning of year	\$ 206,268	\$ 489,058
Repayment of demand operating loan	-	(489,058)
Advances (Repayment) of line of credit	(206,268)	206,268
Balance – end of year	\$ -	\$ 206,268

The Canadian Western Bank line of credit provides credit to a maximum of \$215,000, bears interest at the bank's prime rate plus 2.25%, is due on demand, and is secured by a general security agreement over all of the Company's assets, a personal guarantee from the Company's controlling shareholder and a corporate guarantee from Deep Development Corporation (a wholly owned subsidiary). During the year ended August 31, 2013, the Canadian Western Bank withdrew the line of credit available to the Company, and accordingly, the line of credit balance outstanding was repaid to Canadian Western Bank.

**12. Trade and Other Payables and Accrued Liabilities**

	<b>August 31, 2013</b>	<b>August 31, 2012</b>
Trade payables	\$ 172,546	\$ 422,543
Provincial Sales Tax payable	1,711	-
Accrued liabilities	523,898	613,309
	<b>\$ 698,155</b>	<b>\$ 1,035,852</b>

Included in trade and other payables are amounts due to related parties (see note 24).

The Company entered into a purchase commitment with Servatron, Inc. ("Servatron") whereby Servatron agreed to purchase certain inventory items on behalf of the Company in the amount of \$192,000. These inventory items have not been delivered to the Company. In the opinion of management, the salvage value of the inventory items are approximately \$10,000 on the basis that the inventory items relate to discontinued product lines and management intends to vigorously negotiate a lower settlement amount. During the year ended August 31, 2013, the Company has fully repaid Servatron in the amount of \$182,000 (2012 - \$nil)

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 (see notes 14(viii), 22, and 24).

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 (see notes 14(ix), 22, and 24).

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Warranty Provisions

	August 31, 2013	August 31, 2012
Balance – beginning of year	\$ 82,500	\$ 82,500
Provision made during the year	296,870	64,093
Provisions used during the year	(288,158)	(64,093)
Balance – end of year	\$ 91,212	\$ 82,500

The Company provides a one to five year warranty to repair or replace defective components with respect to its product sales. The warranty provision in this year's consolidated financial statements includes management's best estimate from historical data of the total costs of all raw materials, labour and travel expenses required to repair all known issues related to all products that were sold and shipped prior to year end. Included in accrued liabilities as at August 31, 2013 is \$91,212 (2012 – \$82,500) related to accrued warranty liability.

**13. Loans Payable**

	August 31, 2013	August 31, 2012
Loan Payable	\$ -	\$ 254,620
	\$ -	\$ 254,620

On January 14, 2011, the Company and Espresso Capital Partners SRED I Limited Partnership ("Espresso") signed a loan agreement for Espresso to provide financing to the Company up to \$375,000. The loan bears interest at 1.85% per month (or 24.6% per annum) compounded monthly. The loan and accrued interest can be repaid in whole at any time but must, in any event, be repaid in whole within two days of the Company receiving the SR&ED receivable for the year ended August 31, 2010 with a maximum term of 12 months. The loan is secured by a first charge on the Company's SR&ED receivable and any subsequent years' SR&ED investment tax credits receivable, as well as a second charge general security agreement over all of the Company's assets. During the year ended August 31, 2012, the Company fully repaid its loan from Espresso.

On May 20, 2011, 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. On February 19, 2013, pursuant to the Qualifying Transaction, the loan payable balance to Indigo formed a component of the net assets acquired by the Company and was settled (see note 6).

#### **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 August 31, 2013, the Company had 33,268,655 common shares outstanding (2012 – 22,028,655), 5,405,405 Class A preferred shares outstanding (2012 – 5,405,405), Nil Class B preferred shares outstanding (2012 – Nil) and Nil Class C preferred shares outstanding (2012 – Nil). A total of 8,407,081 common shares are in escrow and thus, have been excluded from the weighted average number of common shares outstanding.

The Class A preferred shares are convertible to common shares, at the option of the holder, at a conversion rate of one to one subject to certain adjustments as determined by reference to additional common shares issued during the year.

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 years ended August 31, 2013 and 2012, the Company issued common shares as follows:

- (i) On February 19, 2013, the former shareholders of Gatekeeper received one common share of the Company for each common share of Gatekeeper held related to the completion of the Qualifying Transaction (see note 6).
- (ii) 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. Finder fees consisted 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.
- (iii) On February 19, 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. In addition, finder fees consisted of 35,200 share purchase warrants at an exercise price of \$0.50 per share which exercise entitlement will expire on February 19, 2014.

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- (iv) 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 for an exercise price of \$0.50 per share which expires 12 months following the date of issuance of the share purchase warrant. In addition, the Company issued 25,600 agent share purchase warrants for an exercise price of \$0.50 per share which expires 12 months following the date of issuance of the agent share purchase warrant.
- (v) 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 for an exercise price of \$0.50 per share which expires 12 months following the date of issuance of the share purchase warrant.
- (vi) On February 28, 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 for an exercise price of \$0.50 per share which expires 12 months following the date of issuance of the share purchase warrant. In addition, the Company issued 57,600 agent share purchase warrants for an exercise price of \$0.50 per share which expires 12 months following the date of issuance of the agent share purchase warrant.
- (vii) 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.
- (viii) 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 (see notes 12, 22 and 24).
- (ix) 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 amount of common shares, 48,059 common shares were issued to officers of the Company for a total of \$12,015 (see notes 12, 22 and 24).

Prior to the completion of the Qualifying Transaction, on November 24, 2011, the Company 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 the Company. Class B preferred shares are redeemable at the option of the Company on 21 days' notice at a price of \$1,000 per share. Subsequent to this transaction, there were Nil Class B preferred shares outstanding (see note 24).

- (x) 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 for Class B preferred shares (see note 24).
- (xi) During the year ended August 31, 2012, the Company incurred \$156,539 (2013 - \$nil) in additional share issuance costs related to the Qualifying Transaction and issuance of units.



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**15. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – August 31, 2012	\$0.50	1,014,761	\$ 8,708
Issuance of warrants (see notes 14 (ii) and (iii))	\$0.50	4,895,200	5,630
Cancellation of Gatekeeper warrants on reverse acquisition (see note 6)	\$ 0.50	(1,153,961)	-
Reissuance of Indigo warrants on reverse acquisition (see note 6)	\$0.50	1,153,961	1,032
Issuance of special warrants (see note 6)	-	5,405,405	-
Exercise of special warrants	-	(5,405,405)	-
Expired	\$0.50	(116,000)	(1,288)
<b>Balance – August 31, 2013</b>	<b>\$0.50</b>	<b>5,793,961</b>	<b>\$ 14,082</b>
Balance – August 31, 2011	\$ -	-	\$ -
Issued	\$0.50	1,014,761	8,708
<b>Balance – August 31, 2012</b>	<b>\$0.50</b>	<b>1,014,761</b>	<b>\$ 8,708</b>

On February 19, 2013, as part of the Qualifying Transaction (see notes 1 and 6), 1,153,961 share purchase warrants of Gatekeeper were exchanged for common share purchase warrants of Indigo on a 1:1 basis and 5,405,405 Class A preferred shares of Gatekeeper were exchanged for special warrants of Indigo on a 1:1 basis. Special warrants were convertible into Class A preferred shares of Indigo. On February 1, 2013, 116,000 warrants expired and therefore forfeited. During the year ended August 31, 2013, 5,405,405 special warrants were converted into Class A preferred shares (see note 6).

During the year ended August 31, 2013, the Company issued 4,220,000 share purchase warrants and 675,200 agents' warrants (see notes 14 (ii) and (iii)).

On February 19, 2013, pursuant to the Qualifying Transaction all issued and outstanding share purchase warrants of Gatekeeper were cancelled and share purchase warrants of Indigo were issued as replacements. Under IFRS 2 'Share-based payment', the cancellation and reissuance was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Company is required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was \$1,032, calculated as the difference between the total fair value of the modified share purchase warrants and the total fair value of the original share purchase warrants on February 19, 2013.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 1.14%, an expected life of 1 year, an expected volatility of 34.82%, 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.

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**16. Share-Based Payments**

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:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – August 31, 2012	\$ 0.47	2,062,500	\$ 125,172
Cancellation of Gatekeeper stock options on reverse acquisition (see note 6)	\$ 0.43	(1,592,500)	-
Reissuance of Indigo stock options on reverse acquisition (see note 6)	\$ 0.25	1,587,500	58,532
Stock options on purchase of Indigo (see note 6)	\$ 0.25	280,000	31,758
Stock options granted	\$ 0.25	565,000	27,845
Options forfeited	\$ 0.60	(470,000)	-
<b>Balance – August 31, 2013</b>	<b>\$0.25</b>	<b>2,432,500</b>	<b>\$ 243,307</b>
Balance – August 31, 2011	\$ 0.48	1,962,500	\$ 116,700
Stock options granted	\$ 0.25	100,000	8,472
<b>Balance – August 31, 2012</b>	<b>\$ 0.47</b>	<b>2,062,500</b>	<b>\$ 125,172</b>

On February 19, 2013, pursuant the Qualifying Transaction, all issued and outstanding stock options of Gatekeeper were cancelled and on April 3, 2013 stock options of Indigo were issued as replacement options (see note 6). Under IFRS 2 'Share-based payment', the cancellation and reissuance was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Company is required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was \$58,532, calculated as the difference between the total fair value of the modified share-based options, measured at the grant date of April 3, 2013, and the total fair value of the original share-based options, measured at the cancellation date of February 19, 2013.

During the year ended August 31, 2013, the Company granted 565,000 (2012 – 100,000) incentive stock options to employees, consultants and officers. The options may be exercised within 10 years from the date of grant at a price of \$0.25 per share. All outstanding options have vesting periods of up to 2 years

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of ranging from 1.35% to 1.78% per annum (2012 – \$1.53%), an expected life of options ranging from 5 to 7.89 years (2012 – 5 years), an expected volatility ranging from 38.63% to 40.49% (2012 – 35.97%), and no expected dividends (2012 – nil).

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Incentive share options outstanding and exercisable at August 31, 2013 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 Exercise Price
\$0.25	2,432,500	9.38	\$0.25	1,962,500	\$0.25
	2,432,500	9.38	\$0.25	1,962,500	\$0.25

During the year ended August 31, 2013, the Company recorded total share-based compensation expense of \$86,377 (2012 – \$8,472), which has been charged to income for the year.

**17. General and Administrative Expenses by Nature**

The Company recorded general and administrative expenses for the years ended August 31, 2013 and 2012 as follows:

	2013	2012
<b>General and administrative expenses</b>		
Accounting and legal	\$ 56,963	\$ 214,512
Consulting fees	7,275	12,000
Depreciation (see note 10)	50,101	51,328
Interest charges on loans	6,811	154,369
Investor relations	57,702	-
Office	333,812	275,075
Regulatory	986	-
Rent	100,001	97,265
Salaries and benefits	617,817	416,902
Share-based payments (see note 16)	86,377	8,472
	<b>\$ 1,317,845</b>	<b>\$ 1,229,923</b>

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**18. Income Tax Expense**

a) The provision for income taxes for the years ended August 31, 2013 and 2012 consist of:

	<b>2013</b>	<b>2012</b>
Accounting income(loss) before income tax	\$ (2,631,462)	\$ 131,365
Federal and provincial income tax rate of 20.65% (2012:13.50%)	(543,287)	17,734
Expected tax expense (recovery)		
Non-deductible items	81,809	19,094
Changes in prior year provision to actual	34,628	14,684
Change in effective tax rate	(703,550)	-
Change in valuation allowance	1,130,400	(51,512)
	543,287	(17,734)
Provision for (recovery of) deferred income taxes	\$ -	\$ -

b) The tax effect of temporary differences that give rise to the deferred tax assets and liabilities at August 31, 2013 and 2012 are as follows:

	<b>August 31, 2013</b>	<b>August 31, 2012</b>
Tax loss carry-forwards	\$ 1,119,565	\$ 364,196
Property, plant and equipment	26,548	7,182
Share issuance costs	81,159	93
SR&ED expenditures	545,006	282,984
Warranty liability	23,715	11,138
	1,795,993	665,593
Valuation allowance	(1,795,993)	(665,593)
Deferred tax assets	\$ -	\$ -

c) Loss carry forwards

As at August 31, 2013, the Company has available non-capital losses for income tax purposes in Canada totaling approximately \$4,306,019 which are available to be carried forward to reduce taxable income in future years and for which no deferred income tax asset has been recognized, and which expire as follows:

	<b>August 31, 2013</b>
2015	\$ 38,489
2026	546,892
2027	1,138,407
2029	151,377
2030	565,913
2033	1,864,941
Total non-capital losses	\$ 4,306,019
Total SR&ED expenditures deduction, no expiry	\$ 2,096,177

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**19. Earnings (Loss) Per Share**

The following table sets forth the computation of basic and diluted earnings per share for the years ended August 31, 2013 and 2012:

	2013	2012
<b>Numerator</b>		
Net income (loss) for the year	\$ (2,631,462)	\$ 131,365
<b>Denominator</b>		
For basic – weighted average number of shares outstanding	22,654,507	20,802,980
Effect of dilutive securities –		
Incentive share options	-	-
Share purchase warrants	-	-
For diluted – adjusted weighted average number of shares outstanding	22,654,507	20,802,980
<b>Earnings (Loss) Per Share</b>		
Basic	\$(0.12)	\$0.01
Diluted	\$(0.12)	\$0.01

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 year. 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 year, 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 years ended August 31, 2013 and 2012.

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**20. Financial Instruments**

**Financial Assets and Liabilities**

Information regarding the Company's financial assets and liabilities as at August 31, 2013 and 2012 is summarized as follows:

	August 31, 2013	August 31, 2012
<b>Financial Assets</b>		
<b>Fair value through profit and loss, at fair value</b>		
Cash and cash equivalents	\$ 191,104	\$ 162,007
<b>Loans and receivable, at amortized cost</b>		
Trade receivables	693,284	805,064
<b>Total Financial Assets</b>	<b>\$ 884,388</b>	<b>\$ 967,071</b>
<b>Financial Liabilities</b>		
<b>Other liabilities, at amortized cost</b>		
Bank indebtedness	\$ -	\$ 206,268
Trade payables	172,546	422,543
Salaries and benefits payable	56,967	94,949
Loans payable	-	254,620
<b>Total Financial Liabilities</b>	<b>\$ 229,513</b>	<b>\$ 978,380</b>

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 August 31, 2013, the Company does not have any Level 3 financial instruments.

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	August 31, 2013	August 31, 2012
<b>Level 1</b>		
<b>Financial assets at fair value</b>		
Cash and cash equivalents	\$ 191,104	\$ 162,007
<b>Total Financial Assets at Fair Value</b>	<b>\$ 191,104</b>	<b>\$ 162,007</b>

There were no transfers between level 1 and 2 during the year ended August 31, 2013.

**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 as further described in note 21.

***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 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.

***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 described in note 21. The Company's financial liabilities are comprised of its trade payables and accrued liabilities, the contractual maturities of which at August 31, 2013 and 2012 are summarized as follows:

	August 31, 2013	August 31, 2012
Trade payables and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 172,546	\$ 229,990
In later than 90 days, not later than one year	-	192,553
	<b>\$ 172,546</b>	<b>\$ 422,543</b>

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**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. At August 31, 2012, the Company had a \$206,268 line of credit subject to fluctuating interest rates.

The Company has no significant exposure at August 31, 2013 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 realizes approximately 90% of its sales and makes a significant amount of its purchases in US dollars. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in 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.

The following tables provide an indication of the Company's significant foreign currency exposures as at August 31, 2013 and 2012:

	2013	2012
Cash and cash equivalents	\$ 82,087	\$ 131,673
Trade receivables	523,408	762,188
Trade payables	25,362	(31,029)
	<b>\$ 630,857</b>	<b>\$ 862,832</b>

**21. Management of Capital**

The capital managed by the Company includes the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Company is not subject to externally imposed capital requirements.

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 mining projects, 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 August 31, 2013 remains fundamentally unchanged from the year ended August 31, 2012.



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**22. Supplemental Cash Flow Information**

The Company made the following cash payments for interests and income taxes during the years ended August 31, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Interest paid	\$ -	\$ 55,034
Taxes paid	-	-
	<b>\$ -</b>	<b>\$ 55,034</b>

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of GSIP at \$0.25 per share for a total value of \$93,350 included in trade and other payables (see notes 12, 14(viii) 22, and 24).

On November 20, 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, 48,059 common shares were issued to officers of the Company for a total of \$12,015 (see notes 12, 14(ix), and 24).

**23. Segmented Information**

The Company operates in one segment in which it develops, manufacture, markets and sells high resolution mobile surveillance camera systems. Revenue is earned in two main regions, being Canada and United States. The following is a breakdown of revenue and current assets by geographic areas based on the customers' location:

	<b>Year ended August 31, 2013</b>	<b>Year ended August 31, 2012</b>
<b>Revenue</b>		
Canada	\$ 437,850	\$ 1,200,897
United States	3,401,853	3,951,354
	<b>\$ 3,839,703</b>	<b>\$ 5,152,251</b>
	<b>August 31, 2013</b>	<b>August 31, 2012</b>
<b>Current Assets</b>		
Canada	\$ 382,595	\$ 1,497,965
United states	1,070,759	886,615
	<b>\$ 1,453,354</b>	<b>\$ 2,384,580</b>

All non-current assets are held in Canada.

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**24. 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.

i) Key Management Personnel Compensation

	August 31, 2013	August 31, 2012
Salaries and short-term benefits	\$ 549,466	\$ 392,020
Share-based payment	45,363	8,472
Accounting fees	-	3,300
	\$ 594,829	\$ 403,792

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

ii) Trade Related Party Transactions

During the year ended August 31, 2013, the Company incurred \$Nil (2012 – \$16,000) in respect of accounting fees with ZAMD Holdings Ltd. ("ZAMD"), a company controlled by the Chief Executive Officer of the Company.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount established and agreed to by the related parties. The resulting accounts payable and accrued liabilities are payable currently under normal third-party trade payable terms and conditions.

The amounts due to related parties as at August 31, 2013 and 2012 are as follows:

	August 31, 2013	August 31, 2012
Chief Executive Officer	\$ 100,000	\$ 14,468
ZAMD	-	16,000
Vice President of Safety	9,567	-
	\$ 109,567	\$ 30,468

Amounts due from and to related parties have been included in trade and other receivables and trade and other payables, respectively. In addition, amounts due to the Chief Executive Officer, ZAMD and vice president of safety are non-interest bearing, unsecured and due on demand (see notes 8 and 12).

iii) Other Related Party Transactions

On January 20, 2012, the Company issued 373,401 common shares to settle amounts owing to creditors of GSIP at \$0.25 per share for a total value of \$93,350 included in trade and other payables (see notes 12, 14 (viii) and 22). The balance owing to these creditors as at January 20, 2012 was \$93,350 consisting of principal of \$80,000 and accrued interest of \$13,350. In addition, the Company made a 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 February 29, 2012.

On November 24, 2011, the Company issued 48,059 common shares to officers of the Company for a total of \$12,015 to settle accounts payable related to services rendered to the Company (see notes 12, 14(ix) and 22).

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On November 24, 2011, the Company redeemed 100 Class B preferred shares for redemption amount of \$1,000 per share for a total of \$100,000 from a director and officer of the Company (see note 14 (ix)).

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 (see note 14(x)).

**25. Commitments**

As of August 31, 2013, the Company's contractual obligations are as follows:

The Company has entered into various operating lease contracts for office space and office equipment. The future minimum payments under these leases as at August 31, 2013 are as follows:

2014	\$	125,298
2015		109,199
2016		109,642
2017		55,067
2018		-
Thereafter		-
	\$	399,206

**26. Subsequent Events**

The following reportable events occurred from the date of the year ended August 31, 2013 to the date the consolidated financial statements were authorized for issuance by the Board of Directors on December 17, 2013:

- (a) Subsequent to August 31, 2013, an aggregate of 1,439,500 incentive stock options were granted under the Company's stock option plan and a total of 2,000 incentive stock options have been exercised.
- (b) On September 30, 2013, pursuant to the Qualifying Transaction completed on February 19, 2013, 1,801,801 Class A preferred shares were converted into common shares of the Company.
- (c) On September 30 and October 3, 2013, the Company closed its first and second and final tranches of its non-brokered private placement offerings, by issuing 3,784,100 and 1,480,000 units, respectively, at a price of \$0.27 per unit, for total gross proceeds of \$1,421,307. Agents' fees include a cash payment of \$99,491 and issuance of 368,487 agents' warrants. Each unit consists of one common share and one-half share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.35 for a period of 24 months from the date of closing. Should the stock price trade over \$0.50 per share for ten consecutive days, the Company will have the right to accelerate the expiry of the warrants by giving notice to the holders of warrants by news release that the warrants will expire on the date that is not less than 30 days from the date notice is given.