Condensed Interim Consolidated financial statements of

GATEKEEPER SYSTEMS INC.

For the three and nine months ended May 31, 2014

(Unaudited)

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

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(expressed in Canadian dollars)

	May 31, 2014	AUGUST 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 228,533	$ 191,104
Trade and other receivables (see note 7)	587,180	725,441
Inventories (see note 8)	345,284	501,655
Prepaid expenses and other current assets	38,284	35,154
	1,199,281	1,453,354
Non-Current Assets		
Property, plant and equipment	164,680	189,035
Total Assets	$ 1,363,961	$ 1,642,389
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables and accrued liabilities (see note 9)	$ 307,796	$ 698,155
Unearned revenue	378	-
Total Liabilities	308,174	698,155
Shareholders' Equity (see notes 10, 11 and 12)	1,055,787	944,234
Total Liabilities and Shareholders' Equity	$ 1,363,961	$ 1,642,389

NATURE OF OPERATIONS (see note 1)
COMMITMENTS (see note 19)
SUBSEQUENT EVENT (see note 20)

APPROVED ON BEHALF OF
THE BOARD OF DIRECTORS

"Beverly Bartlett"
(signed)
Director

"Gary Cope"
(signed)
Director

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2014 (UNAUDITED)

(expressed in Canadian dollars)

	Three months ended		Nine months ended	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
Revenues	$ 752,988	$ 942,073	$ 2,841,715	$ 2,560,533
Cost of Sales	474,314	784,154	1,675,833	1,952,565
Gross Profit	278,674	157,919	1,165,882	607,968
Operating Expenses				
General and administrative (see note 13)	348,632	249,185	1,157,830	813,359
Selling and marketing	323,104	316,928	912,358	772,500
Research and development	133,862	166,785	483,387	356,172
	805,598	732,898	2,553,575	1,942,031
Operating Loss	(526,924)	(574,979)	(1,387,693)	(1,334,063)
Other Income (Expenses)				
Interest	66	154	1,473	(3,543)
Foreign exchange	17,343	(8,685)	54,680	(13,232)
Gain on disposal of property, plant and equipment	-	-	-	1,190
Listing expense (see note 6)	-	-	-	(683,038)
Net Loss and Comprehensive Loss for the period	$ (509,515)	$ (583,510)	$ (1,331,540)	$ (2,032,686)
Weighted Average Number of Common Shares (see note 14)	33,731,277	16,714,900	31,840,338	14,147,193
Basic and Diluted Loss Per Share (see note 14)	($0.02)	($0.03)	($0.04)	($0.10)

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2014 (UNAUDITED)

(expressed in Canadian dollars

	Three months ended		Nine months ended	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
Cash Flows used in Operating Activities				
Net loss for the period	$ (509,515)	$ (583,510)	$ (1,331,540)	$ (2,032,686)
Items not affecting cash from operations –				
Accrued interest	-	-	-	2,591
Depreciation	11,258	10,774	33,258	28,586
Gain on disposal of property, plant and equipment	-	-	-	(1,190)
Write-down of inventory (see note 8)	22,611	246,760	37,082	260,843
Share-based payments (see note 12)	24,910	-	157,990	21,422
Listing expense (see note 6)	-	-	-	683,038
	(450,736)	(325,976)	(1,103,210)	(1,037,396)
Changes in non-cash working capital balances related to operations –				
Decrease in trade and other receivables	105,924	119,704	138,262	1,086,260
Decrease (Increase) in inventories	69,940	(129,908)	119,290	(20,267)
Decrease (Increase) in prepaid expenses and other current assets	14,583	(15,942)	(3,131)	(59,675)
(Decrease) in trade and other payables	66,224	(303,588)	(390,358)	(963,625)
(Decrease) in demand loan	-	-	-	(254,620)
(Decrease) Increase in unearned revenue	-	(1,000)	378	(3,197)
	(194,065)	(657,710)	(1,238,769)	(1,252,520)
Cash Flows used in Investing Activities				
Purchase of property, plant and equipment	(3,745)	(55,116)	(8,904)	(75,270)
Proceeds from disposal of property, plant and equipment	-	-	-	2,200
	(3,745)	(55,116)	(8,904)	(73,070)
Cash Flows from used in Financing Activities				
Proceeds from issuance of common shares	-	-	1,421,307	2,110,000
Proceeds from exercise of stock options	-	-	500	-
Share issuance costs	-	-	(136,704)	(233,000)
Repayment of line of credit	-	-	-	(208,859)
	-	-	1,285,103	1,668,141
Increase (decrease) in Cash and Cash Equivalents	(197,810)	(711,826)	37,430	342,551
Cash and Cash Equivalents – Beginning of Period	426,343	1,216,384	191,103	162,007
Cash and Cash Equivalents – End of Period	228,533	504,558	228,533	504,558

SUPPLEMENTAL INFORMATION (see note 16)
SUBSEQUENT EVENT (see note 20)

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MAY 31, 2014 AND 2013 (UNAUDITED)

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

	Common Shares		Class A Preferred Shares				
	Shares	**Amount**	**Shares**	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
Balance – August 31, 2013	33,268,655	$ 6,053,281	5,405,405	$ 2,000,000	$ 258,676	$ (7,367,723)	$ 944,234
Net loss for the period	-	-	-	-	-	(1,331,540)	(1,331,540)
Shares issued for:							
Cash (see note 10(b)(ii))	5,264,100	1,421,307	-	-	-	-	1,421,307
Conversion of Class A Preferred Shares to common shares (see note 10(b)(i) and (iii))	3,603,603	1,333,333	(3,603,603)	(1,333,333)	-	-	-
Exercise of stock options	2,000	500	-	-	-	-	500
Value assigned to warrants	-	(153,544)	-	-	153,544	-	-
Share –based payments (see note 12)	-	-	-	-	157,990	-	157,990
Share issuance costs	-	(157,496)	-	-	20,792	-	(136,704)
Balance – May 31, 2014	42,138,358	$ 8,497,381	1,801,802	$ 666,667	$ 591,002	$ (8,699,263)	$ 1,055,787
Balance – August 31, 2012	22,028,655	$ 3,639,481	5,405,405	$ 2,000,000	$ 133,880	$ (4,736,261)	$ 1,037,100
Net loss for the period	-	-	-	-	-	(2,032,686)	(2,032,686)
Shares issued for:							
Cash (see notes 10(b)(v) and (vi))	8,440,000	2,110,000	-	-	-	-	2,110,000
Reverse acquisition (see note 6)	2,800,000	700,000	-	-	31,758	-	731,758
Value assigned to warrants	-	(15,149)	-	-	15,149	-	-
Share –based payments (see note 12)	-	-	-	-	21,422	-	21,422
Share issuance costs	-	(235,413)	-	-	2,413	-	(233,000)
Balance – May 31, 2013	33,228,655	$ 6,198,919	5,405,405	$ 2,000,000	$ 204,622	$ (6,768,947)	$ 1,634,594

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

1. Description of Business and Nature of Operations

GSI Systems Inc. (formerly Gatekeeper Systems Inc.) ("GSI", or "Gatekeeper"), specializes in design, manufacturing and marketing of total video security solutions for mobile and extreme environments, 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 Dyment & 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 interim condensed consolidated financial statements as at May 31, 2014 and for the period then ended have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a net loss of $509,515 and $1,331,540 for the three and nine months ended May 31, 2014 (2013 – $583,510 and $2,032,686) and has a working capital of $891,107 at May 31, 2014 (August 31, 2013 – $755,199).

The Company had cash and cash equivalents of $228,533 at May 31, 2014 (August 31, 2013 – $191,104), 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 condensed interim consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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. (a) Basis of Preparation and Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Other than as described in note 3, these interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements, being for the year ended August 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements. These condensed interim condensed consolidated financial statements were approved for issuance by the Board of Directors on July 17, 2014.

These consolidated financial statements have been prepared on a going concern basis under the historical cost method, except for derivative financial instruments, stock-based compensation and certain financial assets which have been measured at fair value. All figures are expressed in Canadian dollars unless otherwise indicated.

(b) Prior Period Adjustments

During the fourth quarter of the year ended August 31, 2013, the Company finalized the accounts associated with the reverse acquisition (see note 6), as a result the listing expense was adjusted from $689,755 to $683,038. For the comparative three and nine months ended May 31, 2013, net loss was reduced by $nil and $6,717. There is no impact to loss per share in the prior period. The nature and extent of the prior period adjustment is not considered material and has no pervasive impact on the financial statements.

(c) Comparative Figures

Certain comparative figures in the three and nine months ended May 31, 2013, with respect to operating expenses, have been reclassified in accordance with the current period's presentation. There is no impact to Net Loss and Comprehensive Loss in the prior period.

3. New and Revised Accounting Standards

The following new and revised standards and amendments are effective for annual periods beginning on or after January 1, 2013, and accordingly have now been adopted by the Company. The adoption of these standards and amendments has had no significant impact on the Company's condensed interim consolidated financial statements.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

4. Accounting Standards and Amendments Issued but Not Yet Adopted

At the date of authorization of these condensed interim 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, 2014:

(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) 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.

5. Significant Accounting Judgments and Estimates

The preparation of the Company's condensed 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.

(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.

(figures in tables are expressed in Canadian dollars, except per share amounts)

(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.

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 11). In addition, all outstanding stock options of Gatekeeper were cancelled and Indigo stock options were issued as replacement options under new terms (see note 12). 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:

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

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.

(figures in tables are expressed in Canadian dollars, except per share amounts)

7. Trade and Other Receivables

	May 31, 2014	August 31, 2013
Trade receivables	$ 569,221	$ 693,284
Goods and Services Tax/Harmonized Sales Tax receivable	17,959	32,157
	$ 587,180	$ 725,441

8. Inventories

	May 31, 2014	August 31, 2013
Raw materials	$ 176,636	$ 214,940
Finished goods	168,648	286,715
	$ 345,284	$ 501,655

For the three and nine months ended May 31, 2014, the cost of inventories recognized as an expense and included in cost of sales was $474,314 and $1,675,833 (2013 – $784,154 and $1,952,565).

For the three and nine months ended May 31, 2014, a write-down of inventories of $22,611 and $37,082 (2013 – $246,760 and $260,843) was recorded and included in cost of sales.

9. Trade and Other Payables and Accrued Liabilities

	May 31, 2014	August 31, 2013
Trade payables	$ 126,763	$ 81,334
Provincial Sales Tax payable	753	1,711
Accrued liabilities	97,780	523,898
Accrued warranty liabilities	82,500	91,212
	$ 307,796	$ 698,155

Included in trade and other payables are amounts $nil (2013 - $109,567) due to related parties.

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 period's condensed interim consolidated financial statements includes management's best estimate 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 period. During the three and nine months ended May 31, 2014, warranty as an expense and included in cost of sales was $25,522 and $74,519 (2013 – $102,875 and $234,098).

10. 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 May31, 2014, the Company had 42,138,358 common shares outstanding (August 31, 2013 – 33,268,655), 1,801,802 Class A preferred shares outstanding (August 31, 2013 – 5,405,405), nil Class B preferred shares outstanding (August 31, 2013 – nil) and nil Class C preferred shares outstanding (August 31, 2013 – 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 nine months ended May 31, 2014 and the year ended August 31, 2013, the Company issued common shares as follows:

(i) On February 26, 2014, pursuant to the Qualifying Transaction completed on February 19, 2013, 1,801,802 Class A preferred shares were converted into common shares of the Company.

(ii) 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, totaling 5,264,100 units, at a price of $0.27 per unit, for total gross proceeds of $1,421,307. Share issuance costs include agents' commission of $99,491, $37,213 other issuance costs, 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.

(iii) 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.

(iv) 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).

(v) 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.

(vi) 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.

(vii) During the year ended August 31, 2013, the Company incurred $156,539 (2012 - $nil) in additional share issuance costs related to the Qualifying Transaction and issuance of units.

(figures in tables are expressed in Canadian dollars, except per share amounts)

11. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted average exercise price	**Number of shares issued or issuable on exercise**	**Amount**
Balance – August 31, 2013	$0.50	5,793,961	$ 14,082
Issuance of warrants (see note 10(b)(ii))	$0.35	3,000,537	169,294
Expired	$0.50	(1,573,961)	(17,476)
Balance – May 31, 2014	$0.44	7,220,537	$ 165,900
Balance – August 31, 2012	$0.50	1,014,761	$ 8,708
Issuance of warrants (see notes 10(b)(v)and (vi))	$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)
Balance – August 31, 2013	$0.50	5,793,961	$ 14,082

During the nine months ended May 31, 2014, the Company extended the previous exercise period of the 4,220,000 share purchase warrants for an additional 12 months, to February 19, 2015. Under IFRS 2 'Share-based payment', the extension of the exercise period 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 $5,041, 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.

During the nine months ended May 31, 2014, the Company issued 2,632,050 share purchase warrants and 368,487 agents' warrants (see note 10(b)(ii)).

On February 19, 2013, as part of the Qualifying Transaction (see note 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 10(b)(v) and (vi)).

On February 19, 2013, pursuant 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.

(figures in tables are expressed in Canadian dollars, except per share amounts)

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 1.04% to 1.19% (2013 – nil%), an expected life of 1 to 2 year (2013 – nil), an expected volatility of 38.70% to 46.38% (2013 – nil), and no expected dividends (2013 – nil). 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 expiry of agents' and share purchase warrants are as follows:

	Exercise price	Number of warrants	Expiry date
Share purchase warrants	$0.50	4,220,000	February 19, 2015
Agents' warrants	$0.35	264,887	September 30, 2015
Share purchase warrants	$0.35	1,892,050	September 30, 2015
Agents' warrants	$0.35	103,600	October 3, 2015
Share purchase warrants	$0.35	740,000	October 3, 2015
		7,220,537	

12. 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:

	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – August 31, 2013	$0.25	2,432,500	$ 243,307
Stock options granted	$0.30	1,439,500	157,990
Stock options exercised	$0.25	(2,000)	(80)
Options forfeited	$0.25	(178,000)	(14,900)
Balance – May 31, 2014	$0.27	3,692,000	$ 386,317
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)	-
Balance – August 31, 2013	$0.25	2,432,500	$ 243,307

During the three and nine months ended May 31, 2014, the Company granted nil and 1,439,500 incentive stock options to employees, consultants, officers and directors. The options may be exercised within 10 years from the date of grant at a price of $0.30 per share. All outstanding options have vesting periods of up to 2 years.

(figures in tables are expressed in Canadian dollars, except per share amounts)

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 incentive stock options to employees, consultants, officers and directors. 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 1.86% to 2.23% per annum (2013 – nil), an expected life of options of 5 years (2013 – nil), an expected volatility ranging from 38.87% to 39.07% (2013 – nil), and no expected dividends (2013 – nil).

Incentive share options outstanding and exercisable May 31, 2014 are summarized as follows:

	Options Outstanding			**Options Exercisable**	
Exercise Price	**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	2,302,500	8.83	$0.25	2,177,500	$0.25
$0.30	1,389,500	9.31	$0.30	942,125	$0.30
	3,692,000	9.01	$0.26	3,119,625	$0.26

During the three and nine months ended May 31, 2014, the Company recorded total share-based compensation expense of $24,910 and $157,990 (2013 – $nil and $21,422), which has been charged to income for the period.

(figures in tables are expressed in Canadian dollars, except per share amounts)

13. General and Administrative Expenses by Nature

The Company recorded general and administrative expenses for the three and nine months ended May 31, 2014 and 2013 as follows:

	Three Months Ended May 31, 2014	Three Months Ended May 31, 2013	Nine Months Ended May 31, 2014	Nine Months Ended May 31, 2013
General and administrative expenses				
Accounting and legal	$ 5,366	$ 21,693	$ 27,317	$ 132,983
Consulting fees	-	-	-	5,275
Depreciation	11,258	10,774	33,258	28,586
Interest charges on loans	-	2,148	-	4,294
Investor relations	43,171	31,392	119,408	39,741
Office	65,425	106,485	236,249	255,613
Regulatory	11,882	-	13,901	-
Rent	26,675	25,984	78,643	74,017
Salaries and benefits (see note 18)	159,945	50,709	491,064	251,428
Share-based payments (see note 12)	24,910	-	157,990	21,422
	$ 348,632	$ 249,185	$ 1,157,830	$ 813,359

14. Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the three and nine months ended May 31, 2014. There were 3,692,000 stock options and 7,220,537 share purchase warrants excluded from the weighted average number of common shares outstanding during the period as they 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.

15. 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 May 31, 2014 remains fundamentally unchanged from the year ended August 31, 2013.

(figures in tables are expressed in Canadian dollars, except per share amounts)

16. Supplemental Cash Flow Information

The Company did not make any cash payments for interests and income taxes during the three and nine months ended May 31, 2014 and 2013:

17. 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:

	Three Months Ended		**Nine Months Ended**	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
Revenue				
Canada	$ 128,484	$ 78,571	$ 303,696	$ 201,182
United States	624,504	863,502	2,511,019	2,359,351
	$ 752,988	$ 942,073	$ 2,841,715	$ 2,560,533

	May 31, 2014	**August 31, 2013**
Current Assets		
Canada	$ 406,978	$ 382,595
United states	814,732	1,070,759
	$ 1,176,852	$ 1,453,354

All non-current assets are held in Canada.

18. 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

	Three Months Ended		**Nine Months Ended**	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
Salaries and short-term benefits	$ 91,616	$ 79,562	$ 204,493	$ 241,397
Share-based payment	11,558	-	60,701	-
	$ 103,174	$ 79,562	$ 265,194	$ 241,397

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

(figures in tables are expressed in Canadian dollars, except per share amounts)

ii) Trade Related Party Transactions

During the three and nine months ended May 31, 2014, the Company incurred $nil and $nil (2013 – $nil and $nil) 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 May 31, 2014 and August 31, 2013 are as follows:

		May 31, 2014		**August 31, 2013**
Chief Executive Officer	$	-	$	100,000
Vice President of Safety		-		9,567
	$	-	$	109,567

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 7 and 9).

19. Commitments

As of May 31, 2014, 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 May 31, 2014 are as follows:

2014	$	31,400
2015		109,199
2016		109,642
2017		55,067
2018		-
Thereafter		-
	$	305,308

20. Subsequent Event

Subsequent to May 31, 2014, the Company granted an aggregate of 675,000 incentive stock options under the Company’s stock option plan.