



Condensed Interim Consolidated financial statements of
GATEKEEPER SYSTEMS INC.
(formerly Indigo Sky Capital Corp.)
For the three months ended November 30, 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)

	NOVEMBER 30, 2014	AUGUST 31, 2014
ASSETS		
Current Assets		
Cash (note 6)	\$ 119,536	\$ 237,796
Restricted Cash (note 7)	39,300	39,300
Trade and other receivables (note 8)	536,786	768,603
Inventories (note 10)	232,381	268,273
Prepaid expenses and other current assets	99,934	124,460
	1,027,937	1,438,432
Non-Current Assets		
Due from related party (note 10)	44,210	44,100
Property, plant and equipment (note 11)	147,337	153,488
Total Assets	\$ 1,219,484	\$ 1,636,020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables and accrued liabilities (note 12)	\$ 451,054	\$ 449,742
Unearned revenue	378	378
Total Liabilities	451,432	450,120
Shareholders' Equity (notes 13, 14 and 15)		
Common shares	9,541,848	8,875,181
Class A preferred shares	-	666,667
Other capital reserves	695,172	667,140
Deficit	(9,468,968)	(9,033,088)
	768,052	1,175,900
Total Liabilities and Shareholders' Equity	\$ 1,219,484	\$ 1,636,020

GOING CONCERN (note 1)
COMMITMENT (note 22)
SUBSEQUENT EVENTS (note 23)

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

"Jonathan Jackson"
(signed)
Director

"Gary Cope"
(signed)
Director

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

(expressed in Canadian dollars)

	Three months ended November 30 2014	Three months ended November 30 2013
Revenues	\$ 931,855	\$ 1,573,799
Cost of Sales	566,009	911,813
Gross Profit	365,846	661,986
Operating Expenses		
General and administrative (note 16)	317,771	449,469
Selling and marketing	379,068	294,472
Research and development	132,019	172,888
	828,858	916,829
Operating Loss	(463,012)	(254,843)
Other Income		
Interest	110	-
Foreign exchange	27,022	400
Loss Before Taxes	(435,880)	(254,443)
Net Loss and Comprehensive Loss for the period	\$ (435,880)	\$ (254,443)
Basic and Diluted Loss Per Share (note 17)	\$(0.01)	\$(0.01)
Weighted Average Number of Shares Outstanding (note 17)	44,018,014	29,738,160

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

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(expressed in Canadian dollars)

	Three months ended November 30 2014	Three months ended November 30 2013
Cash Flows used in Operating Activities		
Net loss	\$ (435,880)	\$ (254,443)
Items not affecting cash from operations –		
Accrued interest	(110)	-
Depreciation	7,717	10,969
Write-down of inventory	3,793	14,110
Share-based payments	18,032	88,324
	(406,448)	(141,040)
Changes in non-cash working capital balances related to operations –		
Decrease (Increase) in trade and other receivables	231,817	(351,220)
Decrease (Increase) in inventories	32,099	126,927
Decrease (Increase) in prepaid expenses and other current assets	24,526	(49,605)
(Decrease) Increase in trade and other payables	1,312	(257,794)
	(116,694)	(672,732)
Cash Flows used in Investing Activities		
Purchase of property, plant and equipment	(1,566)	-
	(1,566)	-
Cash Flows from (used in) Financing Activities		
Proceeds from issuance of common shares	-	1,421,307
Share issuance costs	-	(136,705)
Proceeds from exercise of stock options	-	500
	-	1,285,102
Increase (decrease) in Cash	(118,260)	612,370
Cash – Beginning of Period	237,796	191,104
Cash – End of Period	\$ 119,536	\$ 803,474

SUPPLEMENTAL INFORMATION (note 19)

GATEKEEPER SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013 (UNAUDITED)

(expressed in Canadian dollars)

	Common Shares		Class A Preferred Shares		Other Capital Reserves	Deficit	Total
	Shares	Amount	Shares	Amount			
Balance – August 31, 2014	45,078,858	\$ 8,875,181	1,801,802	\$ 666,667	\$ 677,140	\$ (9,033,088)	\$ 1,185,900
Net loss for the period	-	-	-	-	-	(435,880)	(435,880)
Conversion of Class A Preferred Shares to common shares (note 13(b)(i))	1,801,802	666,667	(1,801,802)	(666,667)	-	-	-
Share-based payments (note 15)	-	-	-	-	18,032	-	18,032
Balance – November 30, 2014	46,880,660	\$ 9,541,848	-	\$ -	\$ 695,172	\$ (9,468,968)	\$ 768,052
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	-	-	-	-	-	(254,443)	(254,443)
Shares issued for:							
Cash (note 13(b)(ii)) and (iii)	5,264,100	1,421,307	-	-	-	-	1,421,307
Conversion of Class A Preferred Shares to common shares (note 13(b)(iv))	1,801,801	666,666	(1,801,801)	(666,666)	-	-	-
Exercise of stock options	2,000	500	-	-	-	-	500
Value assigned to warrants	-	(65,157)	-	-	65,157	-	-
Share –based payments (note 15)	-	-	-	-	88,324	-	88,324
Share issuance costs	-	(145,827)	-	-	9,122	-	(136,705)
Balance – November 30, 2013	40,336,556	\$ 7,930,770	3,603,604	\$ 1,333,334	\$ 421,279	\$ (7,622,166)	\$ 2,063,217

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

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013**

(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 Dymet & 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, 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 November 30, 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 \$435,880 for the three months ended November 30, 2014 (2013 – \$254,443) and has a working capital of \$576,505 at November 30, 2014 (August 31, 2014 – \$988,312).

The Company had cash and cash equivalents of \$119,536 at November 30, 2014 (August 31, 2014 – \$237,796), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to continue to support the operations with financing initiatives primarily through, but not limited to, the issuance of equity. Alternative financing options may include obtaining bank credit facilities and short-term loans from third parties. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The interim condensed 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 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, 2014, 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 January 22, 2015.

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.

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, 2014, 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) 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.

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, 2015:

- (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. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTP, financial guarantees and certain other exceptions. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to January 1, 2018. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.
- (ii) IFRS 15 'Revenue from contracts with customers' is the final standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning after December 15, 2016 for public entities with early adoption not permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance.

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.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013**

(expressed in Canadian dollars except number of shares)

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.

(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.

(d) Determination of Functional Currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013***(expressed in Canadian dollars except number of shares)***6. Cash**

	November 30 2014	August 31 2014
Denominated in Canadian dollars	\$ 51,780	\$ 144,041
Denominated in U.S. dollars	67,756	93,755
	\$ 119,536	\$ 237,796

7. Restricted Cash

	November 30 2014	August 31 2014
Restricted cash	\$ 39,300	\$ 39,300
	\$ 39,300	\$ 39,300

As at November 30, 2014, total cash of \$39,300 (August 31, 2014 - \$39,000) is secured against the Company's credit cards and held in a Guaranteed Investment Certificate ("GIC"), respectively, and is designated as restricted cash.

8. Trade and Other Receivables

	November 30 2014	August 31 2014
Trade receivables	\$ 513,749	\$ 588,894
SR&ED tax refund receivable	-	113,033
Goods and Services Tax/Harmonized Sales Tax receivable	-	15,366
Deposits and other receivable	23,037	51,310
	\$ 536,786	\$ 768,603

Included in other receivables of the Company are amounts due from related parties (note 21). The amounts are unsecured, interest free and repayable upon written notice given from the Company.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013***(expressed in Canadian dollars except number of shares)***9. Inventories**

	November 30 2014	August 31 2014
Raw materials	\$ 76,234	\$ 59,227
Finished goods	156,147	209,046
	\$ 232,381	\$ 268,273

For the three months ended November 30, 2014, the cost of inventories recognized as an expense and included in cost of sales was \$566,009 (2013 – \$911,813). For the three months ended November 30, 2014, a write-down of inventories of \$3,793 (2013 – \$14,110) was recorded, which was included in cost of sales in the consolidated statements of loss and comprehensive loss.

10. Due from Related Party

	November 30 2014	August 31 2014
Balance – beginning of period	\$ 44,100	\$ -
Advance of loan to employee	-	43,700
Accrued interest	110	400
Balance – end of period	\$ 44,210	\$ 44,100

During the year ended August 31, 2014, the Company entered into an agreement to loan \$43,700 to the Chief Executive Officer of the Company (note 21). The terms of the loan is 5 years, maturing October 1, 2018, with interest payable on the unpaid principal, at a variable prescribed interest rate per annum, calculated yearly not in advance. The annual interest rate used to calculate accrued interest for the three months ended November 30, 2014 was 1%. The loan is unsecured and repayable upon written notice given to the Company.

GATEKEEPER SYSTEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013

(expressed in Canadian dollars except number of shares)

11. Property, Plant and Equipment

The changes in the Company's property, plant and equipment for the three months ended November 30, 2014 are as follows:

Cost	Automotive	Computer equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2013	\$ 300	\$ 362,025	\$ 92,176	\$ 46,623	\$ 48,276	\$ 262,675	\$ 148,614	\$ 103,859	\$ 1,064,549
Additions	-	4,318				4,585			8,904
Disposals									
August 31, 2014	\$ 300	\$ 366,343	\$ 92,176	\$ 46,623	\$ 48,276	\$ 267,260	\$ 148,614	\$ 103,859	\$ 1,073,451
Additions	-	-	-	-	-	1,566	-	-	1,566
Disposals	-	-	-	-	-	-	-	-	-
November 30, 2014	\$ 300	\$ 366,343	\$ 92,176	\$ 46,623	\$ 48,276	\$ 268,826	\$ 148,614	\$ 103,859	\$ 1,075,017
Depreciation	Automotive	Computer equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2013	\$ 90	\$ 326,188	\$ 84,616	\$ 41,091	\$ 43,146	\$ 207,141	\$ 120,087	\$ 53,155	\$ 875,514
Depreciation	63	7,429	7,560	1,106	1,026	11,419	5,705	10,141	44,449
Disposal									
August 31, 2014	\$ 153	\$ 333,617	\$ 92,176	\$ 42,197	\$ 44,172	\$ 218,560	\$ 125,792	\$ 63,296	\$ 919,963
Depreciation	11	1,637	-	221	205	2,474	1,141	2,028	7,717
Disposal	-	-	-	-	-	-	-	-	-
November 30, 2014	\$ 164	\$ 335,254	\$ 92,176	\$ 42,418	\$ 44,377	\$ 221,034	\$ 126,933	\$ 65,324	\$ 927,680
Net Book Value	Automotive	Computer equipment	Computer Software	Furniture and Fixtures	Office Equipment	Technical Equipment	Research and Development Equipment	Leasehold Improvements	Total
August 31, 2013	\$ 210	\$ 35,838	\$ 7,560	\$ 5,532	\$ 5,130	\$ 55,534	\$ 28,527	\$ 50,704	\$ 189,035
August 31, 2014	\$ 147	\$ 32,726	\$ -	\$ 4,426	\$ 4,104	\$ 48,700	\$ 22,822	\$ 40,563	\$ 153,488
November 30, 2014	\$ 136	\$ 31,089	\$ -	\$ 4,205	\$ 3,899	\$ 47,792	\$ 21,681	\$ 38,535	\$ 147,337

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013***(expressed in Canadian dollars except number of shares)***12. Trade and Other Payables and Accrued Liabilities**

	November 30 2014	August 31, 2014
Trade payables	\$ 249,016	\$ 240,724
Provincial Sales Tax payable	7,659	236
Accrued liabilities	111,879	126,282
Accrued warranty liabilities	82,500	82,500
	\$ 451,054	\$ 449,742

Included in other payables are amounts due to related parties (see note 21).

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 months ended November 30, 2014, warranty as an expense and included in cost of sales was \$25,575 (2013 – \$21,765).

13. 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 November 30, 2014, the Company had 46,880,660 common shares outstanding (August 31, 2014 – 45,078,858), Nil Class A preferred shares outstanding (August 31, 2014 – 1,801,802), Nil Class B preferred shares outstanding (August 31, 2014 – Nil) and Nil Class C preferred shares outstanding (August 31, 2014 – Nil). A total of 4,664,448 common shares are in escrow and thus, have been excluded from the weighted average number of common shares outstanding (note 17).

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

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013**

(expressed in Canadian dollars except number of shares)

(b) Issued share capital

During the three months ended November 30, 2014 and the year ended August 31, 2014, the Company issued common shares as follows:

- (i) On September 2, 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 July 31 and August 13, 2014, the Company closed its first and second and final tranches of its non-brokered private placement offerings, by issuing 1,622,500 and 1,318,000 units, respectively, totaling 2,940,500 units, at a price of \$0.15 per unit, for total gross proceeds of \$441,075. Share issuance costs include agents' commission of \$31,778 and issuance of 173,100 agents' warrants. Each unit consists of one common share and one share purchase warrant. Each full warrant and agents' warrants is exercisable at \$0.25 for a period of 24 months from the date of closing. Should the stock price trade over \$0.40 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 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.
- (iv) 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.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013***(expressed in Canadian dollars except number of shares)***14. 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 (note 14(b)(ii) and (iii))	\$0.30	6,114,137	231,026
Expired	\$0.50	(1,573,961)	(8,208)
Balance - August 31, 2014 and November 30, 2014	\$0.38	10,334,137	236,900

During the year ended August 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. 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 was 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.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free rate of 1.07% to 1.19% (2013 – 1.14%), an expected life of 2 years (2013 – 2 years), an expected volatility of 37.44% to 42.39% (2013 – 34.82%), 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.

During the three months ended November 30, 2014, no warrants were issued, exercised, cancelled or expired.

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
Agents' warrants	\$0.25	74,250	July 27, 2016
Share purchase warrants	\$0.25	1,622,500	July 27, 2016
Agents' warrants	\$0.25	98,850	August 13, 2016
Share purchase warrants	\$0.25	1,318,000	August 13, 2016
		10,334,137	

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013***(expressed in Canadian dollars except number of shares)***15. 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	\$0.25	2,114,500	212,633
Stock options exercised	\$0.25	(2,000)	(80)
Options forfeited	\$0.29	(178,000)	(15,620)
August – August 31, 2014	\$0.25	4,367,000	\$ 440,240
Stock options granted	\$0.20	495,000	18,032
Options forfeited	\$0.25	(175,000)	(15,875)
Balance – November 30, 2014	\$0.25	4,687,000	\$ 442,397

During the three months ended November 30, 2014, the Company granted 495,000 (2013 – 1,439,500) incentive stock options to employees, consultants, officers and directors. The options may be exercised within 5 to 10 years from the date of grant at a price ranging \$0.20 to \$0.24 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 1.61% to 1.77% per annum (2013 – 1.86% to 2.23%), an expected life of options of 5 years (2013 – nil), an expected volatility ranging from 65.84% to 66.41% (2013 – 38.87 to 39.07%), and no expected dividends (2013 – nil).

Incentive share options outstanding and exercisable at November 30, 2014 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
\$0.12	300,000	9.54	\$0.12	150,000	\$0.12
\$0.18	375,000	9.64	\$0.18	375,000	\$0.18
\$0.20	395,000	4.92	\$0.20	-	\$0.20
\$0.24	100,000	9.82	\$0.24	100,000	\$0.24
\$0.25	2,140,000	8.33	\$0.25	2,077,500	\$0.25
\$0.30	1,377,000	4.70	\$0.30	1,227,000	\$0.30
	4,687,000	8.40	\$0.25	3,929,500	\$0.25

During the three months ended November 30, 2014, the Company recorded total share-based compensation expense of \$18,032 (2013 – \$88,324), which has been charged to income for the period.

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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The Company recorded general and administrative expenses for the three months ended November 30, 2014 and 2013 as follows:

	2014	2013
General and administrative expenses		
Accounting and legal	\$ 1,676	\$ 6,637
Consulting fees	9,360	-
Depreciation (see note 12)	7,717	10,969
Investor relations	27,872	39,717
Office	66,758	106,193
Regulatory	2,706	210
Rent	26,774	25,984
Salaries and benefits (see note 22)	156,876	171,435
Share-based payments (see note 16)	18,032	88,324
	\$ 317,771	\$ 449,469

17. Loss Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended November 30, 2014 and 2013:

	2014	2013
Numerator		
Net loss for the period	\$ (435,880)	\$ (254,443)
Denominator		
For basic – weighted average number of shares outstanding	44,018,014	29,738,160
Effect of dilutive securities –		
Incentive share options	234,831	-
Share purchase warrants	-	-
For diluted – adjusted weighted average number of shares outstanding	44,252,845	29,738,160
Loss Per Share		
Basic	\$(0.01)	\$(0.01)
Diluted	\$(0.01)	\$(0.01)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted 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. There were 3,617,000 stock options and 10,334,137 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 three months ended November 30, 2014.

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Pursuant to the Qualifying Transaction on February 19, 2013, 10,365,440 common shares of the Company, owned by management and insiders were held in escrow. As at November 30, 2014, 4,664,448 (August 31, 2014 – 4,664,448) common share remain in escrow. The release dates and number of common shares to be released is as follows:

Release Dates	Number of Common Shares to be released
February 25, 2015	1,554,816
August 25, 2015	1,554,816
February 25, 2016	1,554,816
	4,664,448

18. 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 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 November 30, 2014 remains fundamentally unchanged from the year ended August 31, 2014.

19. Supplemental Cash Flow Information

The Company did not make any cash payments for interest and income taxes during the three months ended November 30, 2014 and 2013.

20. 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 November 30, 2014	Three months ended November 30, 2013
Revenue		
Canada	\$ 94,625	\$ 173,010
United States	837,230	1,400,789
	\$ 931,855	\$ 1,573,799

GATEKEEPER SYSTEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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	November 30 2014	August 31, 2014
Current Assets		
Canada	\$ 483,722	\$ 737,378
United states	544,215	701,054
	\$ 1,027,937	\$ 1,438,432

All non-current assets are held in Canada.

21. Related Party Transactions

The Company's related parties include its subsidiaries, key management personnel and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

(a) Key Management Personnel Compensation

	Three months ended November 30, 2014	Three months ended November 30, 2013
Salaries and short-term benefits	\$ 106,319	\$ 117,995
Share-based payment	16,238	51,631
	\$ 122,557	\$ 169,626

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

(b) Trade Related Party Transactions

	November 30, 2014	August 31, 2014
Chief Executive Officer	\$ 628	\$ 628
	\$ 628	\$ 628

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

(c) Other related party transactions

During the year ended August 31, 2014, the Company entered into an agreement to loan \$43,700 (2013 - \$nil) to the Chief Executive Officer of the Company (note 10).

At November 30, 2014, certain members of senior management have 3,944,448 common shares of the Company remaining in escrow pursuant to the Qualifying Transaction dated February 19, 2013.

GATEKEEPER SYSTEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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22. Commitments

As of November 30, 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 November 30, 2014 are as follows:

2015	\$ 82,049
2016	109,642
2017	55,067
2018	-
Thereafter	-
	<hr/>
	\$ 246,758

23. Subsequent Event

The following reportable events occurred from the date of the period ended November 30, 2014 to the date the consolidated financial statements were authorized for issuance by the Board of Directors on January 22, 2015:

- (a) On December 17, 2014, the Company entered into a loan agreement with CanFarm Investments Inc. ("CanFarm") to provide \$25,000 of loan financing to the Company.. This loan bears an interest rate of 24% per annum payable on the unpaid balance. The loan and interest is to be repaid in full on February 17, 2015. This loan is secured by the Company's assets.
- (b) Subsequent to November 30, 2014, an aggregate of 250,000 incentive stock options have been cancelled.