IMEX SYSTEMS INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Imex Systems Inc.

We have audited the accompanying financial statements of Imex Systems Inc. (the "Company") which comprise the statement of financial position as at December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' (deficit) equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Independent Auditor's Report to the Shareholders of Imex Systems Inc. *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imex Systems Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated comparative information

Without modifying our opinion, we draw attention to Note 29 to the financial statements which indicates that certain of the comparative information as at December 31, 2016 and January 1, 2016, has been restated.

As part of our audit of the financial statements of Imex Systems Inc. for the year ended December 31, 2017, we also audited the adjustments described in Note 29 that were applied to restate the statements of financial position as at December 31, 2016 and January 1, 2016, and the statement of loss and comprehensive loss for the year ended December 31, 2016. In our opinion, such adjustments are appropriate and have been properly applied.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that the Company incurred a net loss of $1,236,273 during the year ended December 31, 2017, and as of that date the Company's current liabilities exceeded its current assets by $2,238,410, and it has accumulated deficit of $12,755,970. Furthermore, the Company's future operations are highly dependent on its ability to obtain financing. These conditions include the existence of a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern.

Other matter

The financial statements of Imex Systems Inc. for the year ended December 31, 2016, excluding the restatement described in Note 29 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 1, 2017.

/s/ *SRCO Professional Corporation*

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario, Canada
May 9, 2018

Imex Systems Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016-Restated, note 29	As at January 1, 2016-Restated, note 29
ASSETS			
Current assets			
Cash	**$ 378**	$ 5,381	$ 92,984
Funds held in trust (note 7)	**69,096**	53,520	201,247
Accounts receivable (note 8)	**372,798**	429,155	4,387,226
Prepaid expenses	**11,816**	17,266	57,624
Loan receivable from employee (note 9)	**5,750**	23,800	-
Investment tax credits receivable (note 10)	**-**	49,000	49,000
Income taxes recoverable	**-**	350,254	-
Harmonized sales taxes receivable	**12,986**	93,056	-
Total current assets	**472,824**	1,021,432	4,788,081
Non-current assets			
Property, plant and equipment (note 11)	**128,325**	180,984	222,857
Total assets	**$ 601,149**	$ 1,202,416	$ 5,010,938
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
Current liabilities			
Bank indebtedness (note 12)	**336,192**	$ 421,934	$ -
Accounts payable and accrued liabilities (note 13)	**1,898,266**	1,774,998	1,224,213
Dividends payable	**-**	-	480,000
Short-term loan (note 15)	**434,424**	421,204	-
Current portion of long-term debt (note 14)	**42,352**	68,393	36,900
Harmonized sales taxes payable	-	-	346,875
Subscription receipts (note 16)	**-**	-	200,000
Convertible debentures (note 17)	**-**	-	1,673,858
Income taxes payable	**-**	-	332,564
Total current liabilities	**2,711,234**	2,686,529	4,294,410
Non-current liabilities			
Long-term debt (note 14)	**152,583**	121,052	45,230
Total Liabilities	**2,863,817**	2,807,581	4,339,640
Shareholders' (deficit) equity			
Capital stock (note 18)	**6,489,127**	6,489,127	160,956
Equity portion of convertible debentures	**-**	-	401,810
Contributed surplus	**3,505,817**	2,927,047	2,884,967
Warrants (note 20)	**498,358**	498,358	32,800
Deficit	**(12,755,970)**	(11,519,697)	(2,809,235)
Total shareholders' (deficit) equity	**(2,262,668)**	(1,605,165)	671,298
Total liabilities and shareholders' (deficit) equity	**$ 601,149**	$ 1,202,416	$ 5,010,938

Going Concern Assumption (note 2); Commitments and Contingencies (note 26); Subsequent Event (note 30)
The accompanying notes to the financial statements are an integral part of these statements.

Approved on behalf of the Board of Directors:

"Andrew Lindzon", Director

"Krishnasamy Parthiban", Director

Imex Systems Inc.

Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	Year Ended December31, 2016 Restated note 29
Fee revenue	**$ 2,268,357**	$ 2,494,057
Cost of sales		
Consulting contractors	**1,792,027**	2,282,333
License fees	**-**	(625,827)
Gross margin	**476,330**	**837,551**
Operating expenses		
General and administrative (note 27)	**620,871**	1,192,923
Remuneration (note 27)	**316,874**	1,969,728
Selling (note 27)	**80,002**	295,285
Occupancy (note 27)	**96,147**	185,295
Loss before other expenses	**(637,564)**	(2,805,680)
Other expenses (income)		
Loss (gain) on foreign exchange	**(3,547)**	124,663
Other income	**(24,554)**	(677)
Accretion	**-**	207,393
Listing expenses (note 6)	**-**	2,155,294
Finders' fee expense (note 6)	**-**	431,650
Penalty shares expense (note 17)	**-**	578,411
Share-based payments (note 21)	**578,770**	-
Bad debt expense	-	3,236,188
	550,669	6,732,922
Loss before income taxes	**(1,188,233)**	(9,538,602)
Income tax expense (recovery) (note 28)	**48,040**	(348,140)
Net loss	**(1,236,273)**	(9,190,462)
Other comprehensive income	**-**	-
Total comprehensive loss	**$ (1,236,273)**	$ (9,190,462)
Basic and diluted net loss per share	**$ (0.07)**	$ (0.61)
Weighted average number of shares outstanding (note 23)	**17,754,301**	15,010,276

The accompanying notes to the financial statements are an integral part of these statements.

Imex Systems Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	Year Ended December 31, 2016-Restated, note 29
Operating activities		
Net loss for the year	**$ (1,236,273)**	$ (9,190,462)
Adjustment for:		
Amortization of property, plant and equipment	**52,659**	79,731
Accretion	**-**	207,393
Accrued interest	**13,220**	13,172
Listing expense	**-**	2,155,294
Finder's fee expense	**-**	431,650
Penalty shares	**-**	578,411
Share-based payments	**578,770**	-
Bad debt expense	-	3,236,188
Changes in non-cash working capital items:		
Accounts receivable	**56,357**	721,883
Prepaid expenses	**5,450**	16,557
Investment tax credit receivable	**49,000**	-
Harmonized sales taxes receivable	**80,070**	(93,056)
Income taxes recoverable	**350,254**	(350,254)
Accounts payable and accrued liabilities	**123,268**	512,780
Harmonized sales taxes payable	**-**	(346,875)
Income taxes payable	**-**	(332,564)
Net cash provided by (used in) operating activities	**72,775**	(2,360,152)
Investing activities		
Loan repayment from (advanced to) employee	**18,050**	-
Decrease (increase) in funds held in trust	**(15,576)**	147,727
Purchase of property, plant and equipment	**-**	(37,858)
Cash received on reverse take-over	**-**	1,522
Net cash provided by investing activities	**2,474**	111,391
Financing activities		
Increase (decrease) in bank indebtedness	**(85,742)**	421,934
Subscription receipt refunded	**-**	(150,000)
Units issued, net of issue costs	**-**	1,125,991
Repayment of long-term debt	**(44,510)**	(42,685)
Proceeds from long-term debt	**50,000**	150,000
Proceeds from short-term loan	**15,000**	655,918
Repayment of short-term loan	**(15,000)**	-
Net cash provided by (used in) financing activities	**(80,252)**	2,161,158
Net change in cash	**(5,003)**	(87,603)
Cash, beginning of year	**5,381**	92,984
Cash, end of year	**$ 378**	$ 5,381
Supplemental Information		
Interest paid	**$ 63,964**	$ 34,561
Income taxes paid	$ -	$ -

The accompanying notes to the financial statements are an integral part of these statements.

Imex Systems Inc.

Statements of Changes in (Deficit) Equity
(Expressed in Canadian Dollars)

	Capital stock	Warrants	Equity portion of convertible debentures	Contributed surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2015, as previously reported	**$ 160,956**	**$ 32,800**	**$ 401,810**	**$ 2,884,967**	**$ (409,235)**	**$ 3,071,298**
Correction of error (note 29)	**-**	**-**	**-**	**-**	**(2,400,000)**	**(2,400,000)**
Balance, December 31, 2015, restated	**$ 160,956**	**$ 32,800**	**$ 401,810**	**$ 2,884,967**	**$(2,809,235)**	**$ 671,298**
Units issued	1,301,528	-	-	-	-	1,301,528
Fair value of warrants	(177,875)	177,875	-	-	-	-
Issue costs	(175,537)	-	-	-	-	(175,537)
Finders' options	(42,080)	-	-	42,080	-	-
Convertible debentures conversion	2,283,061	-	(401,810)	-	-	1,881,251
Fair value of warrants	(280,850)	280,850	-	-	-	-
Subscription receipts	50,000	-	-	-	-	50,000
Fair value of warrants	(6,833)	6,833	-	-	-	-
Issuance of penalty shares	578,411	-	-	-	-	578,411
Shares issued for finder's fees	431,650	-	-	-	-	431,650
Common shares issued on reverse take-over	2,366,696	-	-	-	-	2,366,696
Dividends payable forgiven	-	-	-	-	480,000	480,000
Net loss for the year	-	-	-	-	(9,190,462)	(9,190,462)
Balance, December 31, 2016, restated	**$ 6,489,127**	**$ 498,358**	**$ -**	**$ 2,927,047**	**$ (11,519,697)**	**$(1,605,165)**
Share-based payments	-	-	-	578,770	-	578,770
Net loss for the year	-	-	-	-	(1,236,273)	(1,236,273)
Balance,December 31, 2017	**$ 6,489,127**	**$ 498,358**	**$ -**	**$ 3,505,817**	**$ (12,755,970)**	**$(2,262,668)**

The accompanying notes to the financial statements are an integral part of these statements.

1. Nature of Operations

Imex Systems Inc. (the "Company" or "Imex") is incorporated under the laws of Ontario. The Company provides technology and solutions for eGovernment, Smart Cities and Digital Payments, and provides consulting services on various aspects to government agencies. The Company currently derives approximately 100% of its revenue from contracts with ministries of the provincial government. The registered office is at 34 Greensboro Drive, Etobicoke, Ontario, Canada.

On June 14, 2016, the Company commenced trading on the TSX Venture Exchange under the symbol IMX. The symbol was subsequently changed to IMEX on November 4, 2016.

2. Going Concern Assumption

These financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended December 31, 2017, the Company has incurred net loss of $1,236,273 (December 31, 2016 - $9,190,462) and as at December 31, 2017, the Company has an accumulated deficit of $12,755,970 (December 31, 2016 $11,519,697). In addition, the Company has a working capital deficiency as at December 31, 2017 of $2,238,410 (December 31, 2016 $1,665,097). In addition, as explained in Note 12 to the financial statements, the Company is non-compliant with the debt covenants and the Company’s banker has not provided a waiver nor has demanded for immediate repayment. These circumstances create a significant doubt about the Company’s ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption.

Management intends to work with creditors to have them forbear on demanding currently due amounts while it pursues financing options available that would provide the Company with sufficient cash to repay ongoing commitments as they become due and pusue its arbitration proceedings against the Botswana government.

The board of directors have passed a resolution to raise up to $3 million on a private placment of the common shares of the Company. The ability of the Company to arrange such financing is dependent in part upon the prevailing capital market conditions. There is no assurance that the Company will be able to obtain the external financing necessary to fund its continuing operations. Under these circumstances the Company maintains the position that the application of going concern assumption is still appropriate.

There is no assurance that the Company's plan to raise cash and defer debt will be successful. Accordingly, these financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statements of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRSs issued and outstanding as of May 9, 2018, the date the Board of Directors approved the statements.

Basis of presentation

These financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, consistent with the details provided in the fair value note, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

The financial statements are presented in Canadian Dollars ("CAD"), which is the Company's presentation and functional currency.

Revenue recognition

Revenue from the provision of services is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the services, and the amount of revenue can be measured reliably after consideration of discounts that will be granted. Any discounts are recognized as a reduction of revenue as the sales are recognized.

If the outcome of a service contract can be estimated reliably, then service contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to accumulated costs incurred compared with total estimated costs of the contract and milestones reached. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Unbilled service contract revenues represent amounts expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses, if any.

Municipal and Provincial Revenues
The Company derives revenues from iCity cloud services, as well as by providing consulting services to its clients. Consulting fees are recognized as revenue at the time the services are performed. The fees for such services are billed to customers monthly.

iGov Revenues
On the larger contracts, the Company recognizes revenue at the time persuasive evidence of an agreement exists, services have been performed and delivered to the customer, the sales price is fixed and determinable, there is a payment arrangement in existence and collectability is reasonably assured.

3. Significant Accounting Policies (continued)

Financial instruments

(i) Financial assets
Financial assets are classified as fair value through profit and loss (FVTPL), available for sale, held to maturity or loans and receivables based on management's intention relating to the purpose and nature of financial assets. The company currently has not classified any financial assets as FVTPL, available for sale (AFS) or held to maturity (HTM).

Financial assets include cash, funds held in trust, accounts receivable and loan receivable from employee and are measured at amortized cost. The carrying value of these assets approximate their fair value due to the short term nature of these assets.

<u>Loans and receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequently, receivables are measured at amortized cost using the effective interest method, less any impairment. If the effect of discounting is immaterial, the short-term receivables are measured at the original amount. Loans and receivables include cash, funds held in trust, accounts receivable and loan receivable.

(ii) Financial assets impairment
For accounts receivables, the Company first assesses whether objective evidence of impairment exists for receivables that are individually significant. If there is objective evidence that an impairment loss has occurred, the amount of impairment loss is assessed individually. For receivables other than those aforementioned, the Company groups those assets and collectively assesses them for impairment. An impairment loss for accounts receivables is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable previously written off is credited against the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Bad debt expenses and reversal of allowance for doubtful debts for accounts receivables are recognized in general and administrative expenses while impairment losses and reversal of impairment for financial assets other than receivables are recognized in other gains and losses.

All impairment losses are recognized in the statement of operations.

(iii) Financial liabilities
Financial liabilities include bank indebtedness, accounts payable and accrued liabilities, short-term loan and long term debt, and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities not classified as held for trading, or not designated as measured at fair value through profit or loss, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method, except for insignificant recognition of interest expense from short-term borrowings and accounts payable. Interest expense not capitalized as an asset cost is recognized in profit or loss. Accounts payable, accruals and borrowings are classified as other financial liabilities.

<u>De-recognition of financial liabilities</u>

The Company derecognizes financial liabilities when the contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Income taxes

The tax currently payable is based on taxable income for the year. Taxable income differs from "income before taxes" as reported in the statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

Property, plant and equipment

Recognition and Measurement
Items of property and equipment are initially measured at cost. Items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Classes of property and equipment are classified by significant components, which are individually amortized over the useful life of the component.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) equipment.

The Company has determined that individual classes of property and equipment do not have individually significant components.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in the statement of operations.

Subsequent Costs
The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)
Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and method of depreciation for property and equipment are as follows:

Furniture and fixtures	20% declining balance
Computer equipment	60% declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease.

Research and development costs

All current research and development expenditures, including costs of developing new products, changing existing products and pre-production costs, are expensed as incurred

Debentures

When debentures are issued, the Company analyzes their terms and conditions and first assesses whether the debenture is equity or a liability using the criteria provided in IAS 32. The Company may also conclude that the convertible debentures have both debt and equity components. Where there is a debt component that meets the definition of a financial liability and also an equity component where the debenture holder has a conversion option, the following paragraphs describe that accounting treatment.

The component parts of debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date.

Conversion rights classified as equity are determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion right classified as equity will remain in equity until the conversion right is exercised, in which case, the balance recognized in equity will be transferred to share capital. When the conversion rights remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion right.

Subscription receipts

Subscription receipts issued are considered a liability due to the inclusion of a contingent settlement provision that is beyond the control of both the issuer and the holder of the instrument.

3. Significant Accounting Policies (continued)

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. For diluted earnings (loss) per share, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants, convertible debentures and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. The Company's diluted earnings (loss) per share does not include the effect of these instruments as they are antidilutive.

Lease contracts

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Equity

The common shares and warrants are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares and warrants issuances are deducted from the proceeds of the offering. Proceeds from unit offerings are allocated between shares and warrants. The fair value of warrants issued has been determined by using the Black Scholes model and the balance has been allocated to shares.

Share capital issued for other than cash is valued at the price at which the stock trades at the time the risks and rewards of ownership of the asset are transferred to the Company or the Company’s liability is extinguished. Contributed surplus includes the value of share-based payments and warrants net of the value of expired grants. Accumulated deficits include all current and prior period retained losses.

Employee benefits and Share-based payments

<u>Short-term</u>
Any short-term employee benefit obligations, which are due to be settled within twelve months are measured on an undiscounted basis and are expensed as the related service is provided.

<u>Share-based payment transactions</u>

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity settled transactions”).

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

3. Significant Accounting Policies (continued)

Employee benefits and Share-based payments (continued)
The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted, using an appropriate valuation model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). For cash settled share-based compensation, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled.

The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of loss or income.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Company or the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Warrants

The Company measures the fair value of warrants issued using the BlackScholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the riskfree interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus.

Operating Segment

The Company has adopted the management approach in determining reportable operating segments. Under this approach, the existing set up of internal organization and reporting used by the Company's chief operating decision maker that are considered for making operating decisions, allocating resources and assessing performance are the basis for determining the Company's reportable segments. During the year ended December 31, 2017 and December 31, 2016, the Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The Company's chief operating decision maker regularly reviews assets and operating results prepared under IFRS for the Company as a whole when making decisions about allocating resources and assessing performance of the Company. Consequently, management has determined that the Company has only one operating segment as defined in IFRS 8, "Operating Segments."

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Accounting estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses and makes revisions as determined necessary. Revisions are recognized in the period in which the estimates are revised. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The primary areas in which estimates and judgments are applied are as follows:

Going concern
The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company’s ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

Depreciation of property and equipment
Depreciation of property and equipment is dependent upon estimates of useful lives and salvage value, both of which are determined with the exercise of judgment.

Investment tax credits
Investment tax credits relating to the acquisition of equipment, including equipment acquired for research and development, are deducted from the cost of the assets. Similarly, the cost of labour used for research and development is deducted from the labour expenses. Investment tax credits relating to current research and development expenditures are reflected in net income (loss).

3. Significant Accounting Policies (continued)

Accounting estimates (continued)
Valuation of deferred tax assets
The company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take into account non taxable income and expenses and specific rules on the use of tax losses. When a forecast shows a new profit, the company considers that the use of deferred assets is probable and recognizes the benefit. When management believes that the benefits will not be realized, a deferred tax asset is not recognized.

Share-based payment and fair value of warrants and finders' options
Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 21. The fair value of stock options granted is measured using the BlackScholes option valuation model (“BkS”), which was created for use in estimating the fair value of freely tradable and fully transferable options. The Company’s stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the BkS do not necessarily provide a reliable measure of the fair value of the Company’s stock options awards. The same model is used by the Company in order to arrive at a fair value for the issuance of the warrants.

Application of new and revised accounting standards and interpretations

The Company has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle which were effective for annual periods beginning on or after July 1, 2014. The amendments did not have an impact on the Company's financial statements. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

Income taxes

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses as an amendment to IAS 12 – Income Taxes. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. There is no impact of the amendments on the Company’s financial statements.

Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 – Statement of Cash Flows also as part of the IASB’s Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. There is no impact of the amendments on the Company’s financial statements.

3. Significant Accounting Policies (continued)

Application of new and revised accounting standards and interpretations (continued)
Financial instruments

IFRS 9 ‘Financial Instruments: Classification and Measurement’ - replaces the guidance on classification and measurement of financial instruments in IAS 39 Financial Instruments Recognition and Measurement. The new standard requires a consistent approach to the classification of financial assets and replaces the numerous categories of financial assets in IAS 39 with two categories, measured at either amortized cost or at fair value. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new standard (a) no longer requires the use of a specific quantitative threshold to determine if the hedging relationship is highly effective in order to qualify for hedge accounting; (b) removes restrictions that prevented some economically rational hedging strategies from qualifying for hedge accounting; and (c) allows purchased options, forwards and non-derivative financial instruments to be hedging instruments in applicable circumstances. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively or on a modified retrospective basis with the exception of the general hedging phase which is applied prospectively. The Company is currently evaluating the impact the new standard is expected to have on its financial statements. The Company plans to adopt IFRS 9 using the modified retrospective method.

Leases

In January 2016, the IASB issued IFRS 16 – “Leases” ("IFRS 16"), which replaces IAS 17 – “Leases”, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued the final revenue standard, IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services.

Effective January 1, 2018 the Company is required to adopt IFRS 15, Revenue from Contracts with Customers. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. The Company plans to adopt IFRS 15 using the modified retrospective method.

While the Company has not yet completed the analysis of the quantitative impacts of the adoption of IFRS 15, the Company has to date not identified any main differences as it relates to its business.

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS and represent a significant change from current practice. The Company has assessed that the impact of these disclosures requirements may not be significant.

3. Significant Accounting Policies (continued)

Application of new and revised accounting standards and interpretations (continued)
Share-based payment

In June 2016, the IASB issued amendments to IFRS 2 - Share-based Payment, clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions. These amendments are effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the new standard is expected to have on its financial statements.

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretion acquisitions: and
- to maximize shareholder return through enhancing value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity comprising capital stock, contributed surplus, warrants, equity portion of convertible debentures and deficit which at December 31, 2017 totaled deficit of $2,262,668 (December 31, 2016 - Deficit of $1,605,165).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 CAD and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

5. Financial instruments

Risk Management

The Company is exposed to credit risk, currency risk, liquidity risk, interest rate risk and other market price risk. The Company's management oversees the management of these risks. The Company`s management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite

The Company is exposed to various risks related to its financial assets and liabilities which includes the following-cash, accounts receivable, accounts payable and accrued liabilities, short term loan and long-term debt. The following analysis provides a measure of the Company's risk exposure and concentrations at December 31, 2017. The financial instruments of the Company and the nature of the risks to which is may be subject to are as follows:

Fair value

The carrying value of these financial instruments approximate their fair value due to the short term maturities, except long-term debts. The impact of fair value changes on the fixed rates long-term debts is minimal and management monitors this on a regular basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

5. Financial instruments (continued)

Fair value (continued)
The classification of financial instruments at their carrying and fair values is as follows:

The Company does not have any financial instruments as at December 31, 2017 classified as “Level 1 quoted prices in active markets”. The Company has determined that there have been no transfers between levels in the hierarchy by reassessing categorization at the reporting date.

Liquidity risk

Liquidity risk arises from the Company's management of working capital, finance charges and principal repayments on its debt instruments. It is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has a comprehensive plan in place to meet its obligations as they come due. As at December 31, 2017, the Company had current assets of $472,824 (December 31, 2016 - $1,021,432) and current liabilities of $2,711,234 (December 31, 2016 - $2,686,529). Current working capital deficit of the Company as at December 31, 2017 is $2,238,410 (December 31, 2016 - deficit of $1,665,097). The Company' management is working to obtain financing to meet the business requirements for the coming year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its accounts receivable. The accounts receivable are due from various Canadian government bodies, which management believes has minimal credit risk.

The Company’s cash, funds held in trust and trade accounts receivable are exposed to credit risk. The Company manages credit risk in respect of cash by maintaining their cash balances at highly rated Big 5 Canadian banks. The carrying amount of the trade receivables represents the Company’s maximum credit exposure. The Company reduces credit risk from its receivables by reviewing a new customer’s credit history before extending credit and conducts regular reviews of all its customer’s credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three type of risks: currency risk, interest rate risk and other price risk.

Currency risk

The Company is exposed to currency risk in United States. Currency risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer, or that an obligation in a foreign currency was made by the Company to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The Company does not utilize financial instruments to manage its currency risk.

Currency risk is the risk that the future cash flows or fair value of the Company’s financial instruments that are denominated in a currency that is not the Company’s functional currency will fluctuate due to the change in foreign exchange rate.

5. Financial instruments (continued)

Market risk (continued)
Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest market rates. The Company is exposed to interest rate risk on its floating interest rate financial instruments that subject it to a cash flow risk. The Company does not enter into any transactions to mitigate this risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

Sensitivity analysis

The Company is mainly exposed to foreign currency risk on fluctuations of financial instruments related to accounts payable and accrued liabilities of $43,970 (USD $35,050) and short-term loan of USD $268,000. As at December 31, 2017, foreign currency risk on US dollars is not significant.

6. Transaction

Imex entered into a securities exchange agreement (the "Securities Exchange Agreement) dated February 18, 2016 with all of the securityholders of Imex and Ba Ba Capital Inc. (the "Corporation"), pursuant to which all of the securityholders of Imex agreed to exchange all of their securities of Imex for securities of the Corporation on a post-Consolidation basis (the "Transaction").

Immediately prior to completion of the Transaction, the Corporation filed articles of amendment effecting a consolidation of all of the issued and outstanding Common Shares of the Corporation on a 1 for 11 basis resulting in 2,741,442 common shares of the Corporation being issued.

On May 13, 2016, the Transaction was completed, as a result of which:

- all of the issued and outstanding common shares, warrants and finders' options of Imex were exchanged on a one-for-one basis for common shares, warrants and finder options of the Corporation having the same terms as the warrants and the finders' options, on the terms set out in the Securities Exchange Agreement;
- the convertible debentures of Imex were exchanged for common shares of the Corporation and all accrued interest and penalty interest, as applicable, were paid in common shares of the Corporation, in accordance with the terms of the securities being exchanged;
- the Corporation issued 500,000 shares to Paige Capital Inc. as a finder's fee for completion of the Transaction;
- the Corporation completed a short-form amalgamation with its wholly-owned subsidiary Imex resulting in the Corporation changing its name to Imex Systems Inc.; and
- The Corporation has also issued 2,500,000 common shares to Damodar Arapakota, the former Chief Executive Officer of the Corporation, which will be subject to the release terms of a performance escrow agreement (see note 22).

(Expressed in Canadian Dollars)

6. Transaction (continued)

Purchase price - consideration paid		
2,741,442 common shares	$	2,366,696
Net assets received		
Cash	$	1,522
Debenture from Imex Systems Inc.		247,886
Accounts payable and accrued liabilities		(38,006)
		211,402
Listing expense	$	2,155,294

7. Funds held in trust

These represent escrowed funds to be spent on certain marketing initiatives as outlined in the Escrow Agreement.

8. Accounts receivable

The Company is exposed to credit risk on the trade receivables from its customers. As at December 31, 2017 96% of the accounts receivable balance are less than 90 days past due.

9. Loan receivable from employees

The loan receivable from employees are unsecured, non-interest bearing, and have no set terms of repayment.

10. Investment tax credits receivable

The company makes claims in respect of scientific research and experimental development (SR&ED) expenditures for Federal and Ontario tax purposes. At December 31, 2017 - $nil (December 31, 2016 - $49,000) of these investment tax credits (ITC's) were receivable.

(Expressed in Canadian Dollars)

11. Property and equipment

Cost	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2015	$ 297,262	$ 81,592	$ 180,136	$ 558,990
Additions	37,858	-	-	37,858
Balance, December 31, 2016	335,120	81,592	180,136	596,848
Balance, December 31, 2017	335,120	81,592	180,136	596,848

Accumulated Depreciation	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2015	$ 234,887	$ 40,391	$ 60,855	$ 336,133
Depreciation for the year	53,477	8,240	18,014	79,731
Balance, December 31, 2016	288,364	48,631	78,869	415,864
Depreciation for the year	28,053	6,592	18,014	52,659
Balance, December 31, 2017	316,417	55,223	96,883	468,523

Carrying Value	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2016	46,756	32,961	101,267	180,984
Balance, December 31, 2017	18,703	26,369	83,253	128,325

12. Bank indebtedness

A revolving demand facility has been authorized by the Royal Bank of Canada ("RBC") to a maximum of $600,000 (December 31, 2016 - $600,000) and bears interest at the bank's prime lending rate plus 3% per annum. The Company has provided a general security assignment over the assets of the company. At December 31, 2017, the Company had drawn $235,731 (December 31, 2016 - $265,476) from this facility, as well as $100,461 of credit card and overdrafts. The facility agreement requires the Company to maintain certain financial covenants. As at December 31, 2017, the Company has breached the financial covenants and it is uncertain that the Company's banker will provide waiver or amendments.

13. Accounts Payable and Accrued Liabilities

	As at December 31, 2017	As at December 31, 2016
Accounts payable and accruals	**$ 1,886,821**	$ 1,769,258
Payroll taxes payable	**11,445**	5,740
	$ 1,898,266	$ 1,774,998

(Expressed in Canadian Dollars)

14. Long-term debt		**2017**		**2016**
$100,000 payable, interest at 8.80%, repayable in monthly instalments of $2,232 on account of principal, plus interest, due August 31, 2018, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	$	8,888	$	26,344
$50,000 payable, interest at 8.80%, repayable in monthly instalments of $853 on account of principal, plus interest, due November 30, 2019, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.		15,827		21,851
$75,000 payable, interest at 6.30%, repayable in monthly instalments of $1,250 on account of principal, plus interest, due January 31, 2022, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.		56,250		66,250
$75,000 payable, interest at 6.30%, repayable in monthly instalments of $1,250 on account of principal,plus interest, due August 31, 2022, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.		65,000		75,000
$50,000 payable, interest at 6.30%, repayable in monthly instalments of $830 on account of principal, plus interest, due March 31, 2023, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.		48,970		-
	$	194,935	$	189,445
Less: current portion	$	42,352	$	68,393
	$	152,583	$	121,052

Minimum principal repayments over the next five years are as follows:

2018	$	42,352
2019	$	48,963
2020	$	39,960
2021	$	39,960
2022	$	21,210
Thereafter	$	2,490
	$	194,935

15. Short-term loan

During the year ended December 31, 2016, a shareholder controlled by the former Chief Executive Officer advanced $336,206 (USD$268,000) and $50,000 to the Company. These amounts are unsecured, bear interest at 10% per annum and are due on demand. Included at December 31, 2017 is accrued interest of $48,218.

(Expressed in Canadian Dollars)

16. Subscription receipts

During the year ended December 31, 2015, the Company issued 700,000 Subscription Receipts at a subscription price of $1.00 per Subscription Receipt. Each Subscription Receipt was automatically exchanged into one Unit immediately prior to a Going Public Event provided that it occurs within six months of the closing date (December 17, 2015). This condition was not met and $650,000 of funds were returned to the investors and the remaining $50,000 Subscription Receipts Going Public Event date was extended to June 17, 2016 and exchanged for $50,000 Units on the Transaction (see note 6).

The fair value of the 25,000 warrants was estimated at $6,833 using the Black-Scholes option pricing formula with the following assumptions: exercise price - $1.50, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 0.63% and an expected average life of 1.5 years.

17. Convertible debentures

During the year ended December 31, 2015, the Company issued unsecured convertible debentures with a total principal amount of $2,055,000. The debentures paid interest at a rate of 10% per annum, calculated quarterly. The Debentures were automatically converted into 2,055,000 Units at a price of $1.00 per Unit on the Transaction (see note 6) and the accrued interest was settled by the issuance of 196,331 common shares.

The fair value of the 1,027,500 warrants was estimated at $280,850 using the Black-Scholes option pricing formula with the following assumptions: exercise price - $1.50, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 0.63% and an expected average life of 1.5 years.

The convertible debentures issued contained a provision which resulted in the issuance of two common shares (instead of one common share) per $1 invested if a Going Public Event was not completed within one year of issuance of the convertible debentures. One holder of $50,000 of convertible debentures issued on April 16, 2015 provided an extension until June 17, 2016 to complete the Going Public Event until the penalty was to become effective. As a result, the Company issued an additional 670,000 common shares (valued at $578,411).

18. Capital stock

a) Authorized share capital

Unlimited	Common shares, no par value
Unlimited	Class B Preference shares,·voting, non cumulative, redeemable and retractable at nominal value

b) Issued

Common shares	Number		Amount
Balance, December 31, 2015	10,240,000	$	160,956
Units issued (i)	1,301,528		1,301,528
Fair value of warrants (i)	-		(177,875)
Issue costs (i)	-		(175,537)
Finders' options (i)	-		(42,080)
Convertible debentures conversion (note 17)	2,251,331		2,283,061
Fair value of warrants (note 17)	-		(280,850)
Subscription receipts (note 16)	50,000		50,000
Fair value of warrants (note 16)	-		(6,833)
Issuance of penalty shares (note 17)	670,000		578,411
Shares issued for finder's fee (ii)	500,000		431,650
Common shares issued on reverse take-over (note 6)	2,741,442		2,366,696
Balance, December 31, 2016 and December 31, 2017	17,754,301	$	6,489,127

(Expressed in Canadian Dollars)

18. Capital stock (continued)

b) Issued (continued)

(i) On May 13, 2016, the Company issued 1,301,528 Units at $1.00 per unit for total gross proceeds of $1,301,528. Each Unit consisted of one common share and one-half of one warrant, each whole warrant entitling the holder to subscribe for one common share at an exercise price of $1.50 per share for a period of 18 months; provided, however, that in the event that the closing price of the outstanding common shares on the stock exchange on which the common shares are listed is greater than $2.25 for a period of 20 consecutive trading days the Company may, at its option, accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the date which is the earlier of: (i) the 30th day after the date on which such notice is given; and (ii) November 13, 2017.

Total finders' fees of $26,195 in cash, professional fees of $149,342 and 91,107 finders' options (valued at $42,080) were incurred on the issuance.

The fair value of the 650,764 warrants was estimated at $177,875 using the Black-Scholes option pricing formula with the following assumptions: exercise price - $1.50, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 0.63% and an expected average life of 1.5 years.

(ii) On May 13, 2016, the Company issued 500,000 common shares to Paige Capital Inc. as a finder's fee for completion of the Transaction

19. Finders' options

	Number of stock options	Weighted average exercise price
Balance, December 31, 2015	122,150	$ 1.00
Issued (i)	91,107	1.00
Balance, December 31, 2016	213,257	1.00
Expired (ii)	(213,257)	(1.00)
Balance, December 31, 2017	-	$ -

(i) On May 13, 2016, the Company issued 91,107 finders' options on the closing of the unit issuance. Each option entitles the holder to subscribe for one Unit at an exercise price of $1.00 per unit for a period of 18 months.

The fair value of the 91,107 options was estimated at $42,080 using the Black-Scholes option pricing formula with the following assumptions: exercise price - $1.00, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 0.63% and an expected average life of 1.5 years.

(ii) These options expired unexercised on November 13, 2017.

(Expressed in Canadian Dollars)

20. Warrants

	Number of warrants		Amount
Balance, December 31, 2015	120,000	$	32,800
Issued (notes 16, 17 and 18(b)(i))	1,703,264		465,558
Balance, December 31, 2016 and December 31, 2017	1,823,264	$	498,358

The following table reflects the actual warrants issued and outstanding as of December 31, 2017:

Expiry date	Exercise Price ($)	Number of warrants outstanding	Grant date fair value
December 31, 2018	1.50	1,823,264	498,358

On October 30, 2017, the terms of these warrants were extended, such that the warrants shall expire on December 31, 2018, subject to approval by TSX Venture Exchange.

21. Stock options

	Number of stock options		Weighted average exercise price
Balance, December 31, 2015 and December 31, 2016	-	$	-
Issued (i)	1,550,000		0.75
Cancelled (i)	(550,000)		(0.75)
Balance, December 31, 2017	1,000,000	$	0.75

(i) On January 4, 2017, the Company issued 1,550,000 stock options to management, directors and consultants of the Company. The options are exercisable into common shares at a price of $0.75 per share until December 29, 2019 and vested immediately.

The fair value of the 1,550,000 options was estimated at $578,770 using the Black-Scholes option pricing formula with the following assumptions: exercise price - $0.75, expected dividend yield - 0%, expected volatility - 125%, risk-free interest rate - 0.84% and an expected average life of 3 years.

In accordance with the stock option plan, 550,000 stock options were cancelled due to the optionee ceasing to be management, director or consultant of the Company.

The following table reflects the actual stock options issued and outstanding as of December 31, 2017:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
December 29, 2019	0.75	2.00	1,000,000	1,000,000

22. Performance Shares

On May 13, 2016, the Company issued 2,500,000 common shares (the "Performance Shares") to the former Chief Executive Officer of the Company, which are subject to the release terms as follows:

- Upon an aggregate of $9,000,000 in Booked Sales (signing a contract for a particular dollar amount whether or not the revenue is actually realized in the 18 months immediately following the Transaction) being achieved, 500,000 Performance Shares would be released from escrow;
- Upon an aggregate of $10,000,000 in Booked Sales being achieved, an additional 500,000 Performance Shares would be released from escrow;
- Upon an aggregate of $11,000,000 in Booked Sales being achieved, an additional 500,000 Performance Shares would be released from escrow;
- Upon an aggregate of $12,000,000 in Booked Sales being achieved, an additional 500,000 Performance Shares would be released from escrow; and
- Upon any new large contract being signed whereby an aggregate of $15,000,000 in Booked Sales is achieved, then an additional 500,000 Performance Shares would be released from escrow.
- The board of Imex would have the discretion to waive target and release Performance Shares from escrow if Imex is close to meeting target Booked Sales.

The Company has treated the Performance Shares as an equity-settled award to an employee which is valued at the date of the grant and expensed over the expected time to completion. The Performance Shares were value at $2,158,250 based on the value of the common shares to be issued, using the following assumptions: (i) all release terms would be met and all Performance Shares would be released and (ii) the conditions would be met over an eighteen month time period.

The performance shares have been cancelled as the requisite performance targets have not been achieved by the former Chief Executive Officer. Following the cancellation of the performance shares, the expenses of $1,294,950 recorded for the year ended December 31, 2016 and amount of $323,738 recorded for the year ended December 31, 2017 have been reversed.

23. Weighted average number of shares outstanding

For the year ended December 31, 2017, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $(1,236,273) (year ended December 31, 2016 - $(9,190,462) and the weighted average number of common shares outstanding of 17,754,301 (year ended December 31, 2016 - 15,010,276), Diluted loss per share did not include the effect of stock options, finders' options and warrants as they are anti-dilutive.

24. Related party transactions

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at fair value.

(Expressed in Canadian Dollars)

24. Related party transactions (continued)

(a) The Company entered into the following transactions with related parties:

During the year ended December 31, 2017, the company incurred $25,000 (year ended December 31, 2016 - $29,250) for professional fees to a company where the former Chief Financial Officer is a senior employee. As at December 31, 2017, $23,011 (December 31, 2016 - $14,386) was payable.

During the year ended December 31, 2017, the company incurred $nil (year ended December 31, 2016 - $155,000) for consulting from a former officer of the Company. As at December 31, 2017, $176,050 (December 31, 2016 - $172,690) was payable.

See note 15.

(b) Remuneration of directors and key management personnel (including the Chief Executive Officer, Chief Financial Officer and directors), other than consulting fees, of the Company was as follows:

	Year Ended December 31, 2017	Year Ended December31, 2016
Salaries	**$ 25,000**	$ 180,000
Share-based payments	**578,770**	-
	$ 603,770	$ 180,000

As at December 31, 2017, $nil (December 31, 2016 - $63,873) was payable.

25. Segmented information

The Company has determined it has one reportable segment based on how management views and operates the business.

Geographic information

Year ended December 31, 2017

	Canada	Africa/Asia	Total
Fee revenue	$ 2,268,357	$ -	**$ 2,268,357**
Cost of Sales	1,792,027	-	**1,792,027**
Gross margin	476,330	-	**476,330**
Operating expenses	1,113,894	-	**1,113,894**
Loss before undernoted items	(637,564)	-	**(637,564)**
Other expense	(550,669)	-	**(550,669)**
Loss before income taxes	(1,188,233)	-	**(1,188,233)**
Income tax expense	(48,040)	-	**(48,040)**
Net loss	$ (1,236,273)	$ -	**$ (1,236,273)**

(Expressed in Canadian Dollars)

25. Segmented information (continued)

Year ended December 31, 2016

	Canada	Africa/Asia	Total
Fee revenue	$ 2,494,057	$ -	**$ 2,494,057**
Cost of Sales	2,078,850	(422,344)	**1,656,506**
Gross margin	415,207	422,344	**837,551**
Operating expenses	3,233,609	409,622	**3,643,231**
Income (loss) before undernoted items	(2,818,402)	12,722	**(2,805,680)**
Other expenses	3,739,960	2,992,962	**6,732,922**
Loss before income taxes	(6,558,362)	(2,980,240)	**(9,538,602)**
Income tax recovery	(348,140)	-	**(348,140)**
Net loss	$ (6,210,222)	$ (2,980,240)	**$ (9,190,462)**

All of the Company's assets are held in Canada.

Major customers

During the year ended December 31, 2017, two customers accounted for 34% and 21% respectively of the Company's revenues (year ended December 31, 2016 two customers accounted for 50% and 18% respectively).

(Expressed in Canadian Dollars)

26. Commitments and contingencies

(i) In the fiscal year ended December 31, 2013, the company entered into a lease agreement committing to a new office space in Toronto for 10 years. The company has the following future minimum lease payments for the premises over the next five years:

2018	$	84,000
2019	$	84,000
2020	$	84,000
2021	$	84,000
2022	$	84,000
	$	420,000

(ii) During the year ended December 31, 2016, as a result of breaches of contract and continued delays in payment of amounts due, including a breach of trust, the Company sent a demand letter to PSTG Consulting Inc. (an entity wholly controlled by MNP LLP) requesting payment of all amounts due, including various costs incurred by the Company. The Company received a response from the contractor disagreeing with its position and demanding payment for losses purportedly incurred under the previous contract and alleging breaches of contract on the Company's part. The Company believes it has suffered material damages and intends to pursue legal redress.

The parties have commenced a binding arbitration process pursuant to the original contract. As of the date of these financial statements, no claim or resolution of the difference has occurred.

As a result of the uncertainty regarding the final collection of amounts owing, the Company has recorded a bad debt expense of $3,236,188 in the year ended December 31, 2016.

(iii) During the year ended December 31, 2016, the Company filed a claim against a former subcontractor for breach of contract requesting damages of approximately USD $372,000 related to funds advanced to the subcontractor. As of the date of these financial statements, no amounts have been setup as receivable due to the uncertainty of collection.

(iv) The Company has submitted a claim against the Ministry of Transportation and Communication of the Government of Botswana seeking payment of USD $5.2 million in respect of services rendered in 2015 and 2016. The Company is currently awaiting response from the Government of Botswana. As the outcome of this matter is uncertain, no claim amount has been recorded in these financial statements.

27. Operating expenses

General and administrative

		Year Ended December 31, 2017		Year Ended December31, 2016
General office	**$**	**152,408**	$	163,993
Professional fees		**189,319**		699,150
Telephone and communication		**65,762**		71,974
Insurance		**61,132**		53,758
Amortization of property, plant and equipment		**52,659**		79,731
Equipment and vehicle leasing		**10**		32,684
Bank charges		**35,617**		57,072
Interest on long-term debt		**63,964**		34,561
	$	**620,871**	$	1,192,923

(Expressed in Canadian Dollars)

27. Operating expenses (continued)

Remuneration

	Year Ended December 31, 2017	Year Ended December31, 2016
Salaries and wages	**$ 235,995**	$ 1,833,205
Employee benefits	**22,577**	105,415
Recruitment	**56,302**	31,108
Directors fee and expenses	**2,000**	-
	$ 316,874	$ 1,969,728

Selling

	Year Ended December 31, 2017	Year Ended December31, 2016
Travel and accommodation	**$ 24,062**	$ 219,589
Marketing	**55,940**	75,696
	$ 80,002	$ 295,285

Occupancy

	Year Ended December 31, 2017	Year Ended December31, 2016
Repairs and maintenance	**$ 8,828**	$ 13,312
Rent and occupancy	**87,319**	171,983
	$ 96,147	$ 185,295

(Expressed in Canadian Dollars)

28. Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2017	2016
Loss before income taxes	**$ (1,188,233)**	**$ (9,538,602)**
Combined statutory rate	26.5%	22.4%
	(314,882)	(2,136,647)
Effect of items not deductible for tax purposes	157,791	744,315
Amortization in excess of capital cost allowance	3,171	6,077
Benefits of tax losses (not recognized)	153,920	1,386,255
Adjustment with respect to prior years	48,040	(348,140)
Income tax expense (recovery)	$ 48,040	$ (348,140)

As at December 31, 2017, the Company has Canadian non-capital losses of approximately $5,385,889 (2016 - $4,623,777) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2036	**$ 4,623,777**
2037	**762,112**
	$ 5,385,889

Deferred income tax assets
The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

	2017	2016
Benefit of non-capital losses	**1,427,261**	$ 1,225,301
Property and equipment	**21,877**	18,706
Less: Valuation allowance (100% impairment of tax asset)	**(1,449,138)**	(1,244,007)
	$ -	$ -

Deferred income tax assets have been impaired in respect of these items because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

29. Restatement of prior year balances

In 2015, the Government of Botswana announced in its official Gazette that it wishes to engage the Company to implement various e-service on iGov technology platform. The parties did not execute a mutually acceptable agreement for the transaction.

During the course of the year, management identified that the Company had recorded revenue of $2,400,000 in 2015 and $2,700,000 in 2016. As the revenue recognized did not meet the revenue recognition criteria under IAS 18 as well as criteria for recognition of assets, this requires a correction of error to restate 2016 comparative information and an opening adjustment to the retained earnings for the revenue incorrectly recorded in the income statement of 2015.

In May 2016, as part of the reverse takeover transaction of Ba Ba Capital by Imex Systems Inc. 2,500,000 common shares of Imex was awarded to Damodar Arapakota (former Chief Executive Officer) and these shares were subject to performance escrow agreement. The Company has treated these performance shares as equity-settled award to an employee as described in Note 22. Total amount of $1,294,950 was recorded as expense during the year ended December 31, 2016 and $323,738 during the year ended December 31, 2017 based on the booked sales. As noted above since the revenue recorded during the period has been reversed the expenses recorded for the performance shares for the year ended December 31, 2016 and 2017 was reversed, as the conditions under the performance escrow agreement has not been met.

As a result of this restatement, the following comparative balances were restated:

Statements of Financial Position

- Accounts receivable as at December 31, 2016 revised to $429,155, a decrease of $5,100,000 from the originally reported amount of $5,529,155. Accounts receivable as at January 1, 2016 revised to $4,387,226, a decrease of $2,400,000 from the originally reported amount of $6,787,226.
- Total current assets as at December 31, 2016 revised to $1,021,432, a decrease of $5,100,000 from the originally reported amount of $6,121,433. Total current assets as at January 1, 2016 revised to $4,788,081, a decrease of $2,400,000 from the originally reported amount of $7,188,081.
- Total assets as at December 31, 2016 revised to $1,202,416, a decrease of $5,100,000 from the originally reported amount of $6,302,417. Total assets as at January 1, 2016 revised to $5,010,938, a decrease of $2,400,000 from the originally reported amount of $7,410,938.
- Contributed surplus as at December 31, 2016 revised to $2,927,047, a decrease of $1,294,950 from the originally reported amount of $4,221,997.
- Deficit as at December 31, 2016 revised to $11,519,697, an increase of $3,805,050 from the originally reported amount of $7,714,647. Deficit as at January 1, 2016 revised to $2,809,235, an increase of $2,400,000 from the originally reported amount of $409,235.
- Total shareholders' deficit as at December 31, 2016 revised to $1,605,165, a decrease of $5,100,000 from the originally reported shareholders' equity amount of $3,494,835. Total shareholders' equity as at January 1, 2016 revised to $671,298, a decrease of $2,400,000 from the originally reported shareholders' equity amount of $3,071,298.
- Total liabilities and shareholders' deficit as at December 31, 2016 revised to $1,202,416, a decrease of $5,100,000 from the originally reported shareholders' equity amount of $6,302,417. Total liabilities and shareholders' equity as at January 1, 2016 revised to $5,010,938, a decrease of $2,400,000 from the originally reported shareholders' equity amount of $7,410,938.

29. Restatement of prior year balances (continued)

Statements of loss and Comprehensive loss

- Fee revenue for the year ended December 31, 2016 revised to $2,494,057, a decrease of $2,700,000 from the originally reported amount of $5,194,057.
- Gross margin for the year ended December 31, 2016 revised to $837,551, a decrease of $2,700,000 from the originally reported amount of $3,537,551.
- Loss before income taxes for the year ended December 31, 2016 revised to $2,805,680, a decrease of $2,700,000 from the originally reported amount of $105,680.
- Share based payments for the year ended December 31, 2016 revised to $nil, a decrease of $1,294,950 from the originally reported amount of $1,294,950.
- Net and comprehensive loss for the year ended December 31, 2016 revised to $9,190,462, an increase of $1,405,050 from the originally reported amount of $7,785,412.
- Basic and diluted loss per share for the year ended December 31, 2016 revised to $0.61, an increase of $0.09 from the originally reported amount of $0.52.

Statements of Cash Flows

There was no impact on the net cash used in operating, investing and financing activities.

30. Subsequent events

The Company has evaluated subsequent events up to May 9, 2018, the date of approval of these financial statements, and conclude that there are no significant subsequent events to report.