

---

**IMEX SYSTEMS INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

---

**Notice To Reader**

The accompanying unaudited condensed interim financial statements of Imex Systems Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

# Imex Systems Inc.

## Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at June 30, 2017	As at December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 13,349	\$ 5,381
Funds held in trust (note 4)	11,407	53,520
Accounts receivable (note 5)	5,526,349	5,529,155
Prepaid expenses	38,308	41,067
Investment tax credits receivable (note 6)	49,000	49,000
Income taxes recoverable	341,626	350,254
Harmonized sales taxes receivable	34,252	93,056
<b>Total current assets</b>	<b>6,014,291</b>	<b>6,121,433</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 7)	154,654	180,984
<b>Total assets</b>	<b>\$ 6,168,945</b>	<b>\$ 6,302,417</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 8)	\$ 327,753	\$ 421,934
Accounts payable and accrued liabilities (note 9)	2,521,829	1,774,999
Short-term loan (note 11)	444,684	421,204
Current portion of long-term debt (note 10)	68,242	68,393
<b>Total current liabilities</b>	<b>3,362,508</b>	<b>2,686,530</b>
<b>Non-current liabilities</b>		
Long-term debt (note 10)	148,863	121,052
<b>Total liabilities</b>	<b>3,511,371</b>	<b>2,807,582</b>
<b>Shareholders' Equity</b>		
Capital stock (note 14)	6,489,127	6,489,127
Contributed surplus	5,124,505	4,221,997
Warrants (note 16)	498,358	498,358
Deficit	(9,454,416)	(7,714,647)
<b>Total shareholders' equity</b>	<b>2,657,574</b>	<b>3,494,835</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 6,168,945</b>	<b>\$ 6,302,417</b>

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

Approved on behalf of the Board:

"Damodar Arapakota", Director

"Krishnasamy Parthiban", Director

## Imex Systems Inc.

### Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Fee revenue	\$ 587,104	\$ 1,998,554	\$ 1,080,426	\$ 4,085,370
Cost of sales				
Consulting contractors	486,871	570,255	913,074	1,259,892
License fees	-	-	-	31
Gross margin	100,233	1,428,299	167,352	2,825,447
Operating expenses				
General and administrative (note 23)	189,874	463,070	397,625	729,076
Remuneration (note 23)	93,483	459,835	524,374	799,637
Selling (note 23)	13,421	17,669	43,705	31,446
Occupancy (note 23)	24,517	20,872	50,618	49,639
Income (loss) before undernoted items	(221,062)	466,853	(848,970)	1,215,649
Other expenses (income)				
Loss (gain) on foreign exchange	(7,330)	29,033	(10,776)	267,161
Other income	-	(232)	-	(632)
Accretion	-	111,812	-	207,393
Listing expense (note 3)	-	2,155,294	-	2,155,294
Finders' fee expense (note 3)	-	431,650	-	431,650
Penalty shares expense (note 13)	-	578,411	-	578,411
Performance Shares expense (note 18)	(107,912)	1,079,125	323,738	1,079,125
Share-based payments (note 17)	-	-	578,770	-
	(115,242)	4,385,093	891,732	4,718,402
Loss before income taxes	(105,820)	(3,918,240)	(1,740,702)	(3,502,753)
Income tax expense (recovery)	(933)	3,238	(933)	3,238
Net loss	(104,887)	(3,921,478)	(1,739,769)	(3,505,991)
Other comprehensive income	-	-	-	-
Total comprehensive loss	\$ (104,887)	\$ (3,921,478)	\$ (1,739,769)	\$ (3,505,991)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.28)	\$ (0.10)	\$ (0.29)
Weighted average number of shares outstanding (note 19)	17,754,301	14,232,192	17,754,301	12,236,096

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

# Imex Systems Inc.

## Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
<b>Operating activities</b>		
Net loss for the period	\$ (1,739,769)	\$ (3,505,991)
Adjustments for:		
Amortization of property, plant and equipment	26,330	37,026
Accretion	-	207,393
Accrued interest	8,480	2,886
Listing expense	-	2,155,294
Finder's fee expense	-	431,650
Penalty shares	-	578,411
Performance shares	323,738	1,079,125
Share-based payments	578,770	-
Changes in non-cash working capital items:		
Accounts receivable	2,806	(2,355,643)
Prepaid expenses	2,759	(35,162)
Income taxes recoverable	8,628	-
Harmonized sales taxes receivable	58,804	-
Accounts payable and accrued liabilities	746,830	7,651
Harmonized sales taxes payable	-	(62,437)
Income taxes payable	-	3,746
<b>Net cash provided by (used in) operating activities</b>	<b>17,376</b>	<b>(1,456,051)</b>
<b>Investing activities</b>		
Loan repayment from employee	-	2,000
Decrease in funds held in trust	42,113	93,862
Purchase of property, plant and equipment	-	(34,578)
Cash received on reverse take-over	-	1,522
<b>Net cash provided by investing activities</b>	<b>42,113</b>	<b>62,806</b>
<b>Financing activities</b>		
Increase (decrease) in bank indebtedness	(94,181)	81,000
Subscription receipt refunded	-	(150,000)
Units issued, net of issue costs	-	1,125,991
Repayment of long-term debt	(22,340)	(21,010)
Proceeds from long-term debt	50,000	75,000
Proceeds from short-term loan	15,000	245,000
<b>Net cash provided by (used in) financing activities</b>	<b>(51,521)</b>	<b>1,355,981</b>
<b>Net change in cash</b>	<b>7,968</b>	<b>(37,264)</b>
<b>Cash, beginning of period</b>	<b>5,381</b>	<b>92,984</b>
<b>Cash, end of period</b>	<b>\$ 13,349</b>	<b>\$ 55,720</b>

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

## Imex Systems Inc.

### Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

Unaudited

	Capital stock	Warrants	Equity portion of convertible debentures	Contributed surplus	Retained earnings (deficit)	Total
<b>Balance, December 31, 2015</b>	<b>\$ 160,956</b>	<b>\$ 32,800</b>	<b>\$ 401,810</b>	<b>\$ 2,884,967</b>	<b>\$ (409,235)</b>	<b>\$ 3,071,298</b>
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
Issuance of performance shares	-	-	-	1,079,125	-	1,079,125
Shares issued for finder's fees	431,650	-	-	-	-	431,650
Common shares issued on reverse take-over	2,366,696	-	-	-	-	2,366,696
Net loss for the period	-	-	-	-	(3,505,991)	(3,505,991)
<b>Balance, June 30, 2016</b>	<b>\$ 6,489,127</b>	<b>\$ 498,358</b>	<b>\$ -</b>	<b>\$ 4,006,172</b>	<b>\$ (3,915,226)</b>	<b>\$ 7,078,431</b>
<b>Balance, December 31, 2016</b>	<b>\$ 6,489,127</b>	<b>\$ 498,358</b>	<b>\$ -</b>	<b>\$ 4,221,997</b>	<b>\$ (7,714,647)</b>	<b>\$ 3,494,835</b>
Issuance of performance shares	-	-	-	323,738	-	323,738
Share-based payments	-	-	-	578,770	-	578,770
Net loss for the period	-	-	-	-	(1,739,769)	(1,739,769)
<b>Balance, June 30, 2017</b>	<b>\$ 6,489,127</b>	<b>\$ 498,358</b>	<b>\$ -</b>	<b>\$ 5,124,505</b>	<b>\$ (9,454,416)</b>	<b>\$ 2,657,574</b>

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

---

# Imex Systems Inc.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

### 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, and international governments. 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.

The Company will continue to pursue collection of its receivables as well as opportunities to raise additional capital through equity markets and/or debt; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital to repay its liabilities as they come due. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

### 2. 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 International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of August 28, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim financial statements.

#### New standards not yet adopted and interpretations issued but not yet effective

##### *Financial Instruments*

In July 2014, the IASB completed the final elements of the proposed new IFRS 9, Financial Instruments standard to be effective January 1, 2018 with early adoption permitted. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company is assessing the possible impact of the proposed standard on the financial statements and the company is considering whether early adoption is warranted.

---

# Imex Systems Inc.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

### 2. Significant accounting policies (continued)

#### New standards not yet adopted and interpretations issued but not yet effective (continued)

##### *Revenues from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue and IAS 11, Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). It establishes a single, comprehensive framework for revenue recognition. This new standard is effective for the Company's financial statements commencing January 1, 2018. The Company intends to adopt the standard on its effective date and is assessing the impact on its financial statements.

##### *Leases*

IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if the Company is also applying IFRS 15. The Company intends to adopt the standard on its effective date and is assessing the impact on its financial statements.

### 3. 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 Chief Executive Officer of the Corporation, which will be subject to the release terms of a performance escrow agreement (see note 18).

---

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

#### 3. 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
-----------------	--------------

---

#### 4. Funds held in trust

Included in funds held in trust is \$11,407 escrowed funds be spent on certain marketing initiatives as outlined in the Escrow Agreement.

#### 5. Accounts receivable

The Company is exposed to concentration of credit risk on the trade receivables from its customers. As at June 30, 2017 approximately 92% of the accounts receivable balance is owed from one customer (December 31, 2016 – 92%). The Company is subject to credit risk if it does not sign a new agreement with this customer which could lead to a risk of non-payment. The USD \$14.56M contract has been awarded to the Company through a formal procurement process and was officially announced by the customer and formally accepted by the Company. Therefore a binding contract already exists under the procurement rules of the customer. The Company has engaged local legal counsel and has filed an application with the Botswana courts to have this matter heard as an urgent matter. The customer has filed papers to indicate it will be taking no position and will abide by any decision of the court. As a result a hearing is scheduled with the courts for September 15, 2017.

As at June 30, 2017 approximately \$5,115,000 (December 31, 2016 – \$5,115,000) is past due.

#### 6. 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 June 30, 2017 - \$49,000 (December 31, 2016 - \$49,000) of these investment tax credits (ITC's) were receivable. The company is subject to an audit of its SR&ED claims by Canada Revenue Agency prior to approval of the ITC's. The outcome of this audit is unknown at this time.



## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 7. Property and equipment

<b>Cost</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
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, June 30, 2017	\$ 335,120	\$ 81,592	\$ 180,136	\$ 596,848

<b>Accumulated Depreciation</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
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 period	14,026	3,296	9,008	26,330
Balance, June 30, 2017	\$ 302,390	\$ 51,927	\$ 87,877	\$ 442,194

<b>Carrying Value</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
Balance, December 31, 2016	\$ 46,756	\$ 32,961	\$ 101,267	\$ 180,984
Balance, June 30, 2017	\$ 32,730	\$ 29,665	\$ 92,259	\$ 154,654

#### 8. 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 June 30, 2017, the Company had drawn \$206,575 (December 31, 2016 - \$265,476) from this facility.

The company also has a line of credit with Wells Fargo of up to \$89,000, bearing interest at 10.25% (December 31, 2016 - 10.25%) per annum. At June 30, 2017, the company had drawn \$86,940 (December 31, 2016 - \$85,759) from this facility.

#### 9. Accounts payable and accrued liabilities

	<b>As at June 30, 2017</b>	<b>As at December 31, 2016</b>
Accounts payable and accruals	\$ 2,517,917	\$ 1,769,258
Payroll taxes payable	3,912	5,741
	<b>\$ 2,521,829</b>	<b>\$ 1,774,999</b>

---

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

#### 10. Long-term debt

---

\$100,000 payable, interest at 8.50%, repayable in monthly instalments of \$2,222 on account of principal, plus interest, due November 2017, secured by a personal guarantee by the Chief Executive Officer for the full amount of the loan.	\$	17,416
\$50,000 payable, interest at 8.50%, repayable in monthly instalments of \$853 on account of principal, plus interest, due November 2019, secured by a personal guarantee by the Chief Executive Officer for the full amount of the loan.		18,439
\$75,000 payable, interest at 8.70%, repayable in monthly instalments of \$1,250 on account of principal, plus interest, due April 2021, secured by a personal guarantee by the Chief Executive Officer for the full amount of the loan.		61,250
\$75,000 payable, interest at 5.70%, repayable in monthly instalments of \$1,250 on account of principal, plus interest, due February 2022, secured by a personal guarantee by the Chief Executive Officer for the full amount of the loan.		70,000
\$50,000 payable, interest at 5.70%, repayable in monthly instalments of \$830 on account of principal, plus interest, due October 2022, secured by a personal guarantee by the Chief Executive Officer for the full amount of the loan.		50,000
		217,105
Less: current portion		68,242
	\$	148,863

---

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

2017	\$	41,269
2018		53,946
2019		46,795
2020		43,710
2021		23,085
Thereafter		8,300
	\$	217,105

---

#### 11. Short-term loan

During the year ended December 31, 2016, a shareholder controlled by the Chief Executive Officer advanced USD \$268,000 and \$50,000 to the Company. These amounts bear interest at 10% per annum and are due on demand. Included at June 30, 2017 is accrued interest of \$8,480.

During the six months ended June 30, 2016, a shareholder controlled by the Chief Executive Officer advanced \$15,000 to the Company. This amounts is non-interest bearing and due on demand. Subsequent to June 30, 2017, this amount was repaid.

---

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

#### 12. Subscription receipts

During the six months ended June 30, 2016, 50,000 Subscription Receipts were automatically exchanged for 50,000 Units on the Transaction (see note 3).

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.

#### 13. 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 3) 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).

#### 14. Capital stock

##### a) Authorized share capital

Unlimited Common shares

Unlimited Class B Preference shares, voting, non cumulative, redeemable and retractable at nominal value

##### b) Issued

<b>Common shares</b>	<b>Number</b>	<b>Amount</b>
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 13)	2,251,331	2,283,061
Fair value of warrants (note 13)	-	(280,850)
Subscription receipts (note 12)	50,000	50,000
Fair value of warrants (note 12)	-	(6,833)
Issuance of penalty shares (note 13)	670,000	578,411
Shares issued for finder's fee (ii)	500,000	431,650
Common shares issued on reverse take-over (note 3)	2,741,442	2,366,696
Balance, June 30, 2016, December 31, 2016 and June 30, 2017	17,754,301	\$ 6,489,127

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 14. 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 shares to Paige Capital Inc. as a finder's fee for completion of the Transaction

#### 15. 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, June 30, 2016, December 31, 2016 and June 30, 2017	213,257	\$ 1.00

(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.

The following table reflects the actual finders' options issued and outstanding as of June 30, 2017:

Expiry date	Exercise price (\$)	Number of options outstanding	Number of options vested (exercisable)
November 13, 2017 <sup>(1)</sup>	1.00	213,257	213,257

(1) Exercisable into a unit with each Unit consisting 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.

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 16. Warrants

	Number of warrants	Amount
Balance, December 31, 2015 and June 30, 2016	120,000	\$ 32,800
Issued (notes 12, 13 and 14(i))	1,703,264	465,558
Balance, June 30, 2016, December 31, 2016 and June 30, 2017	1,823,264	\$ 498,358

The following table reflects the actual warrants issued and outstanding as of June 30, 2017:

Expiry date	Exercise price (\$)	Number of options outstanding	Grant date fair value
November 13, 2017	1.50	1,823,264	498,358

#### 17. Stock options

	Number of stock options	Weighted average exercise price
Balance, December 31, 2015, June 30, 2016 and December 31, 2016	-	\$ -
Issued (i)	1,550,000	0.75
Balance, June 30, 2017	1,550,000	\$ 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.

The following table reflects the actual stock options issued and outstanding as of June 30, 2017:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
December 29, 2019	0.75	2.50	1,550,000	1,550,000

#### 18. Performance Shares

On May 13, 2016, the Company issued 2,500,000 common shares (the "Performance Shares") to the 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;

---

## **Imex Systems Inc.**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended June 30, 2017**

**(Expressed in Canadian Dollars)**

**Unaudited**

---

#### **18. Performance Shares (continued)**

- 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 a eighteen month time period.

During the three and six months ended June 30, 2017, the Company recorded a Performance Shares expense of \$323,738.

#### **19. Weighted average number of shares outstanding**

For the three and six months ended June 30, 2017, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$(104,887) and \$(1,739,769), respectively (three and six months ended June 30, 2016 - \$(3,921,478) and \$(3,505,991), respectively) and the weighted average number of common shares outstanding of 17,754,301 and 17,754,301, respectively (three and six months ended June 30, 2016 - 14,232,192 and 12,236,096, respectively). Diluted loss per share did not include the effect of stock options, finders' options and warrants as they are anti-dilutive.

#### **20. 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.

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

During the three and six months ended June 30, 2017, the company incurred \$7,500 and \$15,000 (three and six months ended June 30, 2016 - \$7,500 and \$14,250) for professional fees to a company where the Chief Financial Officer is a senior employee. As at June 30, 2017, \$21,672 (December 31, 2016 - \$14,386) was payable.

During the three and six months ended June 30, 2017, the company incurred \$nil and \$24,000 (three and six months ended June 30, 2016 - \$38,000 and \$83,000) for consulting from a former officer of the Company. As at June 30, 2017, \$200,050 (December 31, 2016 - \$172,690) was payable.

See note 11.

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 20. Related party transactions (continued)

(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:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Salaries	\$ 47,000	\$ 30,000	\$ 92,000	\$ 60,000
Share-based payments	-	-	466,750	-
	\$ 47,000	\$ 30,000	\$ 558,750	\$ 60,000

As at June 30, 2017, \$153,873 (December 31, 2016 - \$63,873) was payable.

#### 21. Segmented information

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

##### Geographic information

###### Three months ended June 30, 2017

	Canada	Africa/Asia	Total
Fee revenue	\$ 587,104	\$ -	\$ 587,104
Cost of sales	486,871	-	486,871
Gross margin	100,233	-	100,233
Operating expenses	313,516	7,779	321,295
Loss before undernoted items	(213,283)	(7,779)	(221,062)
Other income	(115,242)	-	(115,242)
<b>Loss before income taxes</b>	<b>(98,041)</b>	<b>(7,779)</b>	<b>(105,820)</b>
Income tax recovery	(933)	-	(933)
<b>Net loss</b>	<b>\$ (97,108)</b>	<b>\$ (7,779)</b>	<b>\$ (104,887)</b>

###### Three months ended June 30, 2016

	Canada	Africa/Asia	Total
Fee revenue	\$ 648,554	\$ 1,350,000	\$ 1,998,554
Cost of sales	561,082	9,173	570,255
Gross margin	87,472	1,340,827	1,428,299
Operating expenses	790,952	170,494	961,446
Income (loss) before undernoted items	(703,480)	1,170,333	466,853
Other expenses	4,385,093	-	4,385,093
<b>Income (loss) before income taxes</b>	<b>(5,088,573)</b>	<b>1,170,333</b>	<b>(3,918,240)</b>
Income tax expense	2,558	680	3,238
<b>Net income (loss)</b>	<b>\$ (5,091,131)</b>	<b>\$ 1,169,653</b>	<b>\$ (3,921,478)</b>

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

#### 21. Segmented information (continued)

##### Geographic information (continued)

###### Six months ended June 30, 2017

	Canada	Africa/Asia	Total
Fee revenue	\$ 1,080,426	\$ -	\$ 1,080,426
Cost of sales	908,994	4,080	913,074
Gross margin	171,432	(4,080)	167,352
Operating expenses	967,522	48,800	1,016,322
Loss before undernoted items	(796,090)	(52,880)	(848,970)
Other expenses (income)	892,582	(850)	891,732
<b>Loss before income taxes</b>	<b>(1,688,672)</b>	<b>(52,030)</b>	<b>(1,740,702)</b>
Income tax recovery	(933)	-	(933)
<b>Net loss</b>	<b>\$ (1,687,739)</b>	<b>\$ (52,030)</b>	<b>\$ (1,739,769)</b>

###### Six months ended June 30, 2016

	Canada	Africa/Asia	Total
Fee revenue	\$ 1,385,370	\$ 2,700,000	\$ 4,085,370
Cost of sales	1,202,582	57,341	1,259,923
Gross margin	182,788	2,642,659	2,825,447
Operating expenses	1,398,053	211,745	1,609,798
Income (loss) before undernoted items	(1,215,265)	2,430,914	1,215,649
Other expenses	4,314,084	404,318	4,718,402
<b>Income (loss) before income taxes</b>	<b>(5,529,349)</b>	<b>2,026,596</b>	<b>(3,502,753)</b>
Income tax expense	2,558	680	3,238
<b>Net income (loss)</b>	<b>\$ (5,531,907)</b>	<b>\$ 2,025,916</b>	<b>\$ (3,505,991)</b>

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

##### Major customers

In the six months ended June 30, 2017, four customers accounted for 35.0%, 19.1%, 18.3% and 17.4% respectively of the Company's revenues (six months ended June 30, 2016 three customers accounted for 44.1%, 22.0% and 19.3% respectively).

#### 22. 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:

2017	\$	36,000
2018		84,000
2019		84,000
2020		84,000
Subsequent years		168,000
	\$	456,000



---

## Imex Systems Inc.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

Unaudited

---

#### 22. Commitments and contingencies (continued)

(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) Subsequent to June 30, 2017, the Company received a statement of claim from a former consultant alleging wrongful dismissal and breach of contract. The Company considers that these legal proceedings are without merit and intends to vigorously defend its position; accordingly, no provision for loss has been recognized.

#### 23. Schedules to financial statements

##### General and Administrative

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
General office	\$ 44,916	\$ 208,904	\$ 92,593	\$ 284,069
Professional fees	75,293	172,901	159,515	299,768
Telephone and communication	16,033	19,455	33,025	36,115
Insurance	9,952	12,653	27,877	26,774
Amortization of property, plant and equipment	13,165	21,106	26,330	37,026
Equipment and vehicle leasing	-	8,905	10	17,810
Bank charges	10,118	14,312	19,257	19,031
Interest on long-term debt	20,397	4,834	39,018	8,483
	<b>\$ 189,874</b>	<b>\$ 463,070</b>	<b>\$ 397,625</b>	<b>\$ 729,076</b>

---

**Imex Systems Inc.****Notes to Condensed Interim Financial Statements****Three and Six Months Ended June 30, 2017****(Expressed in Canadian Dollars)****Unaudited**

---

**23. Schedules to financial statements (continued)****Remuneration**

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
Salaries and wages	\$ 75,250	\$ 417,709	\$ 502,409	\$ 734,365
Employee benefits	3,137	29,971	5,959	53,117
Recruitment	13,096	12,155	14,006	12,155
Directors fees and expenses	2,000	-	2,000	-
	<b>\$ 93,483</b>	<b>\$ 459,835</b>	<b>\$ 524,374</b>	<b>\$ 799,637</b>

**Selling**

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
Travel and accommodation (recovery)	\$ 1,899	\$ 9,279	\$ 4,782	\$ 18,738
Marketing	11,522	8,390	38,923	12,708
	<b>\$ 13,421</b>	<b>\$ 17,669</b>	<b>\$ 43,705</b>	<b>\$ 31,446</b>

**Occupancy**

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
Repairs and maintenance	\$ 1,950	\$ 5,583	\$ 4,120	\$ 7,798
Rent and occupancy (recovery)	22,567	15,289	46,498	41,841
	<b>\$ 24,517</b>	<b>\$ 20,872</b>	<b>\$ 50,618</b>	<b>\$ 49,639</b>