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

Notice to Reader

The accompanying unaudited condensed interim financial statements of Imex Systems Inc. (the "Company" or "Imex") 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 September 30, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	\$ 47,442	\$ 5,381
Funds held in trust (note 4)	84,695	53,520
Accounts receivable (note 5)	5,528,466	5,529,155
Prepaid expenses	34,144	41,067
Loan receivable from employee (note 6)	7,250	-
Investment tax credits receivable (note 7)	-	49,000
Income taxes recoverable	48,040	350,254
Harmonized sales taxes receivable	-	93,056
Total current assets	5,750,037	6,121,433
Non-current assets		
Property, plant and equipment (note 8)	141,490	180,984
Total assets	\$ 5,891,527	\$ 6,302,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 9)	\$ 433,556	\$ 421,934
Accounts payable and accrued liabilities (note 10)	2,389,118	1,774,999
Short-term loan (note 12)	437,446	421,204
Current portion of long-term debt (note 11)	68,393	68,393
Total current liabilities	3,328,513	2,686,530
Non-current liabilities		
Long-term debt (note 11)	133,127	121,052
Total Liabilities	3,461,640	2,807,582
Shareholders' Equity		
Capital stock (note 15)	6,489,127	6,489,127
Contributed surplus	5,124,505	4,221,997
Warrants (note 17)	498,358	498,358
Deficit	(9,682,103)	(7,714,647)
Total shareholders' equity	2,429,887	3,494,835
Total liabilities and shareholders' equity	\$ 5,891,527	\$ 6,302,417

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

Approved on behalf of the Board of Directors:

"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 September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Fee Revenue	\$ 579,650	\$ 540,833	\$ 1,660,076	\$ 4,626,203
Cost of sales				
Consulting contractors	464,791	476,059	1,377,865	1,735,951
License fees	-	(625,858)	-	(625,827)
Gross margin	114,859	690,632	282,211	3,516,079
Operating expenses				
General and administrative (note 24)	141,108	306,662	538,733	1,035,738
Remuneration (note 24)	180,342	600,605	704,716	1,400,242
Selling (note 24)	7,168	20,407	50,873	51,853
Occupancy (note 24)	22,539	44,892	73,247	94,531
Income (loss) before undernoted items	(236,298)	(281,934)	(1,085,358)	933,715
Other expenses (income)				
Loss (gain) on foreign exchange	(3,770)	(60,831)	(14,546)	206,330
Other income	(24,554)	-	(24,554)	(632)
Accretion	-	-	-	207,393
Listing expenses (note 3)	-	-	-	2,155,294
Finders' fee expense (note 3)	-	-	-	431,650
Penalty shares expense (note 14)	-	-	-	578,411
Performance shares expense (note 19)	-	359,708	323,738	1,438,833
Share-based payments (note 18)	-	-	578,770	-
	(28,324)	298,877	863,408	5,017,279
Loss before income taxes	(207,974)	(580,811)	(1,948,766)	(4,083,564)
Income tax expense (recovery)	19,623	-	18,690	3,238
Net loss	(227,597)	(580,811)	(1,967,456)	(4,086,802)
Other comprehensive income	-	-	-	-
Total comprehensive loss	\$ (227,597)	\$ (580,811)	\$ (1,967,456)	\$ (4,086,802)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.04)	\$ (0.11)	\$ (0.23)
Weighted average number of shares outstanding (note 20)	17,754,301	14,088,924	17,754,301	17,754,301

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)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating activities		
Net loss for the period	\$ (1,967,456)	\$ (4,086,802)
Adjustment for:		
Amortization of property, plant and equipment	39,494	58,132
Accretion	-	207,393
Accrued interest	16,242	2,886
Listing expense	-	2,155,294
Finder's fee expense	-	431,650
Penalty shares	-	578,411
Performance shares	323,738	1,438,833
Share-based payments	578,770	-
Changes in non-cash working capital items:		
Accounts receivable	689	(2,303,346)
Prepaid expenses	6,923	(35,163)
Investment tax credit receivable	49,000	-
Harmonized sales taxes receivable	93,056	-
Income taxes recoverable	302,214	-
Accounts payable and accrued liabilities	614,119	(377,422)
Harmonized sales taxes payable	-	(248,121)
Income taxes payable	-	7,999
Net cash provided by (used in) operating activities	56,789	(2,170,256)
Investing activities		
Loan repayment from (advanced to) employee	(7,250)	18,413
Decrease (increase) in funds held in trust	(31,175)	101,247
Purchase of property, plant and equipment	-	(34,578)
Cash received on reverse take-over	-	1,522
Net cash provided by (used in) investing activities	(38,425)	86,604
Financing activities		
Increase (decrease) in bank indebtedness	11,622	330,000
Subscription receipt refunded	-	(150,000)
Units issued, net of issue costs	-	1,125,991
Repayment of long-term debt	(37,925)	(34,015)
Proceeds from long-term debt	50,000	150,000
Proceeds from short-term loan	15,000	591,923
Repayment of short-term loan	(15,000)	-
Net cash provided by (used in) financing activities	23,697	2,013,899
Net change in cash	42,061	(69,753)
Cash, beginning of period	5,381	92,984
Cash, end of period	\$ 47,442	\$ 23,231

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
Balance, December 31, 2015	\$ 160,956	\$ 32,800	\$ 401,810	\$ 2,884,967	\$ (409,235)	\$ 3,071,298
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
Issuance of performance shares	-	-	-	1,438,833	-	1,438,833
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	-	-	-	-	(4,086,802)	(4,086,802)
Balance, September 30, 2016	\$ 6,489,127	\$ 498,358	\$ -	\$ 4,365,880	\$ (4,496,037)	\$ 6,857,328
Balance, December 31, 2016	\$ 6,489,127	\$ 498,358	\$ -	\$ 4,221,997	\$(7,714,647)	\$ 3,494,835
Issuance of performance shares	-	-	-	323,738	-	323,738
Share-based payments	-	-	-	578,770	-	578,770
Net loss for the period	-	-	-	-	(1,967,456)	(1,967,456)
Balance, September 30, 2017	\$ 6,489,127	\$ 498,358	\$ -	\$ 5,124,505	\$(9,682,103)	\$2,429,887

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 Nine Months Ended September 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 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 November 24, 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 Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)**

2. Significant Accounting Policies (continued)

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

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 19).

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

3. Transaction (continued)

Purchase price - consideration paid

2,741,442 common shares	\$ 2,366,696
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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
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4. Funds held in trust

Included in funds held in trust is \$84,695 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 September 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. In November 2017, the customer indicated their intention to settle the matter out of court, hence the court action is withdrawn. Discussion is ongoing as of the date of this financial statement.

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

6. Loan receivable from employees

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

7. 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 September 30, 2017 - \$nil (December 31, 2016 - \$49,000) of these investment tax credits (ITC's) were receivable.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

8. 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, September 30, 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 period	21,040	4,944	13,510	39,494
Balance, September 30, 2017	309,404	53,575	92,379	455,358

Carrying Value	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2016	46,756	32,961	101,267	180,984
Balance, September 30, 2017	25,716	28,017	87,757	141,490

9. 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 September 30, 2017, the Company had drawn \$375,731 (December 31, 2016 - \$265,476) from this facility.

10. Accounts Payable and Accrued Liabilities

	As at September 30, 2017	As at December 31, 2016
Accounts payable and accruals	\$ 2,383,552	\$ 1,769,258
Payroll taxes payable	5,566	5,741
	\$ 2,389,118	\$ 1,774,999

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

11. 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.	11,110
\$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.	16,660
\$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.	57,500
\$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.	66,250
\$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
	\$ 201,520
Less: current portion	\$ 68,393
	\$ 133,127

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

2017	\$ 25,684
2018	\$ 53,946
2019	\$ 46,795
2020	\$ 43,710
2021	\$ 23,085
Thereafter	\$ 8,300
	\$ 201,520

12. 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 September 30, 2017 is accrued interest of \$40,582.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

13. Subscription receipts

During the nine months ended September 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.

14. 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).

15. 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

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 14)	2,251,331	2,283,061
Fair value of warrants (note 14)	-	(280,850)
Subscription receipts (note 13)	50,000	50,000
Fair value of warrants (note 13)	-	(6,833)
Issuance of penalty shares (note 14)	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, September 30, 2016, December 31, 2016 and September 30, 2017	17,754,301	\$ 6,489,127

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

15. 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

16. 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, September 30, 2016, December 31, 2016 and September 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 (1)	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. These options expired unexercised on November 13, 2017.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

17. Warrants

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

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

Expiry date	Exercise Price (\$)	Number of warrants outstanding	Grant date fair value
November 13, 2017	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.

18. Stock options

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

In accordance with the stock option plan, 550,000 stock options were forfeited 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 September 30, 2017:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
December 29, 2019	0.75	2.25	1,000,000	1,000,000

Imex Systems Inc.

**Notes to Condensed Interim Financial Statements
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19. 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;
- 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 nine months ended September 30, 2017, the Company recorded a Performance Shares expense of \$323,738.

On the date of approval of the financial statements, the performance shares has not yet been released from escrow.

20. Weighted average number of shares outstanding

For the three and nine months ended September 30, 2017, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$(227,597) and \$(1,967,456), respectively (three and nine months ended September 30, 2016 - \$(580,811) and \$(4,086,802), respectively) and the weighted average number of common shares outstanding of 17,754,301 and 17,754,301, respectively (three and nine months ended September 30, 2016 - 14,088,924 and 17,754,301, respectively). Diluted loss per share did not include the effect of stock options, finders' options and warrants as they are anti-dilutive.

21. 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.

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21. Related party transactions (continued)

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

During the three and nine months ended September 30, 2017, the company incurred \$7,500 and \$22,500 (three and nine months ended September 30, 2016 - \$7,500 and \$21,750) for professional fees to a company where the Chief Financial Officer is a senior employee. As at September 30, 2017, \$20,135 (December 31, 2016 - \$14,386) was payable.

During the three and nine months ended September 30, 2017, the company incurred \$nil and \$24,000 (three and nine months ended September 30, 2016 - \$36,000 and \$119,000) for consulting from a former officer of the Company. As at September 30, 2017, \$200,050 (December 31, 2016 - \$172,690) was payable.

See note 12.

(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 September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Salaries	\$ 52,500	\$ 30,000	\$ 144,500	\$ 90,000
Share-based payments	-	-	466,750	-
	\$ 52,500	\$ 30,000	\$ 611,250	\$ 90,000

As at September 30, 2017, \$155,135 (December 31, 2016 - \$63,873) was payable.

22. 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 September 30, 2017

	Canada	Africa/Asia	Total
Fee revenue	\$ 579,650	\$ -	\$ 579,650
Cost of Sales	464,791	-	464,791
Gross margin	114,859	-	114,859
Operating expenses	351,157	-	351,157
Loss before undernoted items	(236,298)	-	(236,298)
Other income	28,324	-	28,324
Loss before income taxes	(207,974)	-	(207,974)
Income tax expense	(19,623)	-	(19,623)
Net loss	\$ (227,597)	\$ -	\$ (227,597)

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22. Segmented information (continued)

Three months ended September 30, 2016

	Canada	Africa/Asia	Total
Fee revenue	\$ 540,833	\$ -	\$ 540,833
Cost of Sales	392,353	(542,152)	(149,799)
Gross margin	148,480	542,152	690,632
Operating expenses	964,149	8,417	972,566
Income (loss) before undernoted items	(815,669)	533,735	(281,934)
Other expenses	518,261	(219,384)	298,877
Net loss	\$ (1,333,930)	\$ 753,119	\$ (580,811)

Nine months ended September 30, 2017

	Canada	Africa/Asia	Total
Fee revenue	\$ 1,660,076	\$ -	\$ 1,660,076
Cost of Sales	1,373,785	4,080	1,377,865
Gross margin	286,291	(4,080)	282,211
Operating expenses	1,318,769	48,800	1,367,569
Loss before undernoted items	(1,032,478)	(52,880)	(1,085,358)
Other income	(864,258)	850	(863,408)
Loss before income taxes	(1,896,736)	(52,030)	(1,948,766)
Income tax expense	(18,690)	-	(18,690)
Net loss	\$ (1,915,426)	\$ (52,030)	\$ (1,967,456)

Nine months ended September 30, 2016

	Canada	Africa/Asia	Total
Fee revenue	\$ 1,926,203	\$ 2,700,000	\$ 4,626,203
Cost of Sales	1,594,935	(484,811)	1,110,124
Gross margin	331,268	3,184,811	3,516,079
Operating expenses	2,362,202	220,162	2,582,364
Loss before undernoted items	(2,030,934)	2,964,649	933,715
Other expenses	4,832,345	184,934	5,017,279
Income (loss) before income taxes	(6,863,279)	2,779,715	(4,083,564)
Income tax recovery	3,238	-	3,238
Net income (loss)	\$ (6,866,517)	\$ 2,779,715	\$ (4,086,802)

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

Major customers

In the nine months ended September 30, 2017, four customers accounted for 35.0%, 19.1%, 18.3% and 17.4% respectively of the Company's revenues (nine months ended September 30, 2016 three customers accounted for 29.2%, 29.2% and 22.8% respectively).

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23. 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	\$	18,000
2018	\$	84,000
2019	\$	84,000
2020	\$	84,000
Subsequent years	\$	168,000
	\$	438,000

(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) On August 1, 2017, the Company received a statement of claim from a former employee 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.

24. Schedules to financial statements

General and administrative

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
General office	\$ 22,573	\$ 42,663	\$ 115,166	\$ 326,732
Professional fees	44,204	186,377	203,719	486,145
Telephone and communication	16,285	17,539	49,310	53,654
Insurance	17,547	11,396	45,424	38,170
Amortization of property, plant and equipment		13,164	21,106	39,494
58,132				
Equipment and vehicle leasing	-	8,905	10	26,715
Bank charges	9,223	12,450	28,480	31,481
Interest on long-term debt	18,112	6,226	57,130	14,709
	\$ 141,108	\$ 306,662	\$ 538,733	\$ 1,035,738



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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Salaries and wages	\$ 143,757	\$ 547,989	\$ 646,166	\$ 1,282,354
Employee benefits	10,073	34,713	16,032	87,830
Recruitment	26,512	17,903	40,518	30,058
Directors fee and expenses	-	-	2,000	-
	\$ 180,342	\$ 600,605	\$ 704,716	\$ 1,400,242

Selling

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Travel and accommodation	\$ 1,558	\$ 12,784	\$ 6,340	\$ 31,522
marketing	5,610	7,623	44,533	20,331
	\$ 7,168	\$ 20,407	\$ 50,873	\$ 51,853

Occupancy

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Repairs and maintenance	\$ 2,258	\$ 2,100	\$ 6,468	\$ 9,898
Rent and occupancy	20,281	42,792	66,779	84,633
	\$ 22,539	\$ 44,892	\$ 73,247	\$ 94,531