Imex Systems Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Six Months Ended June 30, 2016

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Imex Systems Inc., ("Imex Systems", "Imex" or the "Company") and the financial performance for the three and six months ended June 30, 2016. This MD&A, which has been prepared as of August 29, 2016, should be read in conjunction with Imex Systems' unaudited condensed interim financial statements for the three and six month ended June 30, 2016 ("financial statements"), the audited financial statements as at and for the years ended December 31, 2015 and 2014 and notes thereto. The financial information presented herein has been prepared in accordance with 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"). The 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.

Except for the historical information contained herein, this MD&A may contain forward-looking information based on the reasonable best estimates of Imex Systems of the current operating environment. These forward-looking statements are related to, but not limited to, Imex Systems' operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as ''anticipate'', ''believe'', ''expect'', ''plan'', ''estimate'', "intend'', ''will'', ''may'', ''should'', "budget", "forecast", "project" or similar words suggesting future outcomes. These statements reflect management's current assumptions and expectations regarding future events and operating performance as of the date of this MD&A. There is significant risk that Imex Systems Inc.'s predictions and other forward-looking statements will not prove to be accurate. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include, but are not limited to, economic, competitive and media industry conditions. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by Imex Systems. By their nature, forward-looking statements are subject to numerous assumptions, inherent risks and uncertainties which may cause actual results, events or developments to be materially different from actual results. Such factors include, but are not limited to, the following factors: industry trends, competition, dependence on key customers, long-term capital requirements and the Company's future ability to fund operations, protection of intellectual property, infringement on intellectual property, dependence on key personnel and employees, rapid technology developments, new business areas and geographic markets, information technology defects, user data and cyber security, reliance on collaborative partners, operational and financial infrastructure, reliance on third-party owned communication networks, uncertain economic health of the wider economy, governmental regulation, currency fluctuations, changes in taxation, exposure to taxable presences, risk of litigation, internal controls, credit risk and liquidity. Each factor should be carefully considered and readers are cautioned against putting undue reliance on these forward-looking statements.

FISCAL 2016 OPERATIONAL HIGHLIGHTS

1. **Revenues increased by 196% to $4,085,370 for the six months ended June 30, 2016 compared to $1,380,840 in the prior period.**
   This increase was primarily attributable to revenue for iGov implementation in Africa/Asia, and this move reflected Imex Systems' intention to capitalize on the demand for the modernization of governments in the international market.
2. **Adjusted EBITDA of $1,261,790 for six months ended June 30, 2016 compared to $(1,698,713) in the prior period.**
   See "Adjusted EBITDA" section below for definition and reconciliation. Adjusted EBITDA provides investors with useful supplemental information about the financial performance of the business, enables comparison of financial results between periods where certain items may vary independent of business performance, and allows for greater transparency with respect to key metrics used by management in operating its business.
3. **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.
4. **Imex entered into a securities exchange agreement dated February 18, 2016 with all of the securityholders of Imex and Ba Ba Capital Inc., pursuant to which all of the securityholders of Imex agreed to exchange all of their securities of Imex for securities of Ba Ba Capital Inc. on a post-Consolidation basis (the "Transaction"). On May 13, 2016, the Transaction was completed.**
   See "Completed Transaction" below.
5. **On June 14, 2016, Imex commenced trading on the TSX Venture Exchange under the symbol IMX.**

OVERVIEW

Founded in 1997, Imex Systems Inc. has come to be known as a pioneer in public sector modernization and service delivery transformation. Imex Systems has been working with the public sector since 2001 and developed its first integrated e-Government system in 2005. It helps to build smart governments and smart cities. Through its integrated technology platform, it brings people and processes together to achieve higher levels of efficiency, transparency and accountability within the government. With its end-to-end service delivery capability, it combines multiple departmental systems within a government into a single enterprise system thereby transforming the way governments deliver services. Through identifying and addressing all components of government interaction, the Company is able to provide a 360 degree relationship between the government and the citizen. The smart components provided by Imex include: Smart Government, Smart Payments, Smart Customer Service, Smart Citizen Communications, Smart Operations, and Smart Infrastructure.

Over the last decade, its products and services have evolved significantly to meet new challenges and incorporate new and emerging technologies. Its core business and technology has evolved from being able to service small towns to entire countries. As citizens around the world are demanding better accessibility to and communication with governments, governments are under pressure to meet this demand with smarter mediums of communication and transparency. In the North American market, there is a call for governments to modernize their systems to deliver better services in an integrated fashion with better efficiencies, while reducing their overall costs. Imex Systems' offerings are capable of achieving this goal, as it provides all the pre-built components required in building an effective eGovernment. Municipal and provincial governments can select the required modules from the iGov platform to attend to the differing needs of their citizens. On an international scale, emerging countries are undergoing massive transformations, driven by ambitious citizen service improvement plans, and pressures to improve transparency and efficiency from international agencies like the World Bank. Imex Systems is able to address this demand through the comprehensive iGov solution. Additionally, with little to no legacy systems impeding the change in emerging countries, Imex Systems is able to implement its platform quickly and efficiently, thereby expediting emerging governments' transformation into smarter governments.

Imex Systems' comprehensive iGov platform includes; the iGov-Portal, the iGov-ESD Multi-Channel Service Delivery module, the iPay Payment Management module, the iGov-MCS Multi-Channel Communication System, the iGov-CRM Citizen Relationship Management module, the iGov-SPM Service Process Management module, iGov-CMS Case Management module, and the miGov App. The Company's Business and Management Consulting services identify government goals and respond through effective business processes and smart technology solutions. The iPay payment system helps governments use various payment technologies, including digital payments and digital wallets, to manage their revenues from and payments to citizens in a more effective manner. The Company provides both cloud and on premise solutions, depending on the needs of a government body, which has enabled it to service small towns, to large governments, to entire countries. Additionally, Imex Systems provides governments with multiple channels through which to provide their services, including contact centers, in-person services, the web, mobiles, IVR and Kiosk systems. Imex Systems fully installs and supports its solutions and guarantees a long-term strategic roadmap for its software, making it continuously relevant for organizations today and into the future.

On June 14, 2016, Imex commenced trading on the TSX Venture Exchange under the symbol IMX.

Imex Systems Inc. is headquartered at 34 Greensboro Drive, 2nd floor, Toronto, Ontario M9W 1E1.

OPERATIONAL OVERVIEW

Business Objectives and Operations

Imex's mission is to help build the next generation of smart governments and smart cities around the world. Smart Governments utilize technology to better serve their citizens and operate in an efficient and cost effective manner. Smart Cities are cities that become livable, workable and sustainable. Imex provides technology through on premise licensing as well as a cloud services.

Imex has aggressively been developing new technologies, including but not limited to the Internet of Things (IOT), digital payments and the use of artificial intelligence and robotics to deliver a wide range of government services.

Imex intends to become a major technology provider for smart cities by collaborating with infrastructure firms and engineering firms. Together, Imex looks to revolutionize the way government and citizens interact with one another.

Products

iGov

IGov is a modular Smart Government framework with a suite of modules that help all levels of government to deliver services and information, automate and optimize internal operations, and improve staff productivity while reducing the associated costs of governance. iGov helps deliver services and receive payments through multiple channels, including the Web, Mobile, IVR, Contact Centers, Over the Counter and Kiosks. iGov is the most flexible, and the most highly integrated yet modular system on the market today. It is robust and secure while providing real time visual information.

iCity

iCity-CSP is a complete local e-Government framework that helps cities to become smart. It delivers city services in a convenient manner, efficiently manages city operations and city infrastructure, provides superior customer services to enhance citizen satisfaction, and helps to ensure compliance with regulatory requirements. iCity-CSP is built on the iGov core framework and incorporates city government and infrastructure-related specific features and services. iCity supports IOT and helps to effectively monitor and manage practically every device in the city.

iPay

The iPay payment engine is the heart of the e-Commerce and payments capability for Governments. iPay is an integrated multi-channel, multi-mode payment system specifically designed for government to receive payments and better manage revenue collection. iPay brings unprecedented scalability and functionality to governments by handling electronic payments through various channels, both automated channels like web, mobile, IVR, Kiosks and through manual channels like over the counter and contact centers. iPay includes touch screen based POS unites through desktop workstations as well as through inexpensive tablets. iPay also facilitates tax and fee collection by field staff using mobile devices. iPay complies with PCI data security standards.

The iPay payment engine also:

- Supports convenience fees and taxes;
- Can be used as part of the iGov framework or as an independent payment application;
- Accepts all modes of payments (i.e., credit cards, debit cards, digital wallets, cheques, drafts and pre-authorized bank account debits) and has the ability to accept debit cards both at POS terminals as well as on the web; and
- Can integrate/interface with virtually any financial system and backend application.

miGov

miGov is a versatile mobile app based on the miGov mobile framework that provides any time and any device convenience to citizens to access Government services and information. It is a combination of a Citizen facing Mobile App, Mobile Management Infrastructure and iGov, creating a Mobile Government framework. miGov enables citizens to obtain information, access services and make mobile payments. miGov supports location based services with full GIS integration.

miGov obtains the relevant information from iGov-Portal, iGov-ESD and iGov-CRM. All transaction data is updated and stored within iGov. All payments are processed through iPay.

miGov is a downloadable mobile app from app stores and it supports both smartphones and tablets using Apple iOS, Android, and Windows operating systems.

miCity

miCity is a versatile mobile app based on the miGov mobile framework that provides any time and any device convenience to citizens to access local government services and information. miCity supports location based services with full GIS integration. miCity can seamlessly integrate with a city's back end applications. The miCity platform provides a wide variety of information related to the City and delivers many City services. These include Waste & Recycling, Service Requests, Payments, etc.

miPay

mi-Pay integrates with iPay and helps to accept payments from citizens using mobile devices like smartphones and tablets. mi-Pay can be used within the government facilities or at any outdoor events or by mobile staff to process payments. mi-Pay does not need special hardware.

mi-Pay transactions are encrypted and carried over secure connections to ensure maximum security. It accepts both credit and debit card payments, and it supports card swipes and Chip/PIN to process payments.

iDocs

iDocs is a web-based electronic billing/statement presentment and payment solution for governments and businesses to leverage the internet to reduce costs and improve cash flow, increase operational efficiency and enhance customer relationships, while reducing paper.

This comprehensive solution enables organizations to electronically present their statements, bills or invoices and receive payments through their website, twenty-four hours per day, seven days a week.

- Some of the features of iDocs include:
- Supports all major credit cards, debit cards (Interac) and bank cards from pre-authorized account debits;
- Supports user definable workflow for invoice processing;
- Provides a scalable and cost-effective system;
- Implemented quickly without a large upfront investment;
- Extensive administrative audit functions;
- Offers detailed reporting functionality

The system effortlessly handles simple bills and statements to large complex business-to-business statements and invoices of multiple types securely and conveniently. The iDocs suite includes: Electronic Bill Presentment and Payment (EBPP), Electronic Invoice Presentment & Payment (EIPP) and Electronic Statements Presentment (ESP).

Services

Imex develops custom solutions as well as implements Commercial-Off-The-Shelf (COTS) products. Imex's services are provided on all major software and hardware platforms from Microsoft, IBM, Oracle, HP and others.

Imex provides the following management consulting services:

- Development of e-Government Strategies
- Business Cases for eServices and Contact Centers
- Business Analysis and Requirements
- Enterprise Architecture
- Business Process Review
- Business Process Re-engineering and Optimization
- Performance Measurement
- Program Management

Imex provides the following IT services:

- Business Process Automation
- Enterprise Application Integration
- Custom Application Design and Architecture
- Application Development & Maintenance
- Legacy Application Migration
- Application Modernization
- Testing and Quality Assurance
- Deployment and Support
- Data Conversion, Migration and Maintenance
- Database Administration
- Security and Infrastructure support
- Application Hosting
- Mobile Applications

Market Trends

The public sector market is becoming more favorable to the outsourced services delivery model, which is resulting in a shift towards delivering products and services to their constituencies using cloud solutions from custom developed platforms. Mobile services and payments is emerging as the future of service delivery, primarily based on user-fee models.

Governments are facing extreme budget pressures and are consequently looking for ways to reduce costs. This change is synonymous with the emergence of citizens who are demanding better service through modern technology. This is resulting in the concept of Smart Government taking root to provide services in an integrated fashion with better efficiencies. Additionally, many governments in the developed world need to modernize their systems, which were installed for Y2K.

The market for e-Government is strong in emerging countries which are racing to modernize their public sector and transform citizen service delivery. International institutions like the World Bank, IMF, ADB etc., are encouraging emerging countries to become efficient, transparent and accountable, and are providing significant amounts of funding for their e-Government initiatives.

The expected global market size for smart cities is $1.5 Trillion (cumulative) by 2020, out of which smart governance is expected to be about 12% - $180 Billion (Source: Frost & Sullivan). According to Frost & Sullivan, the majority of smart city projects are developed under a Build and Operate Managed (BOM) business model, which means that the smart city planner appoints a trusted partner to develop the city infrastructure and services. The partner operates and manages the smart city services. The city planner has no further role.

North America Growth

In Canada, there are 3,950 local governments (Region, County, City, Town), plus each of the provinces. In the United States, there are 38,967 local governments, plus each of the states. Currently, less than 10% of these bodies have at least one simple e-Service. IDC Government Insights estimates the market for just the Civic Technology (iGov type services) in the U.S. state and local governments is $6.4 billion in 2015, and is growing 14 times faster than traditional IT.

Imex has already established a proven concept, both in terms of the technology and revenue model, and has built a strong relationship with many governments in Canada. Imex is in constant discussion with governments throughout North America in order to organically grow its business footprint. In addition, Imex will also look to grow its business in North America by acquiring firms with an existing municipal customer base in managed processing and transaction based services. Imex also believes that there will be opportunities to expand the market opportunity by developing relationships with banks and communications services providers which both provide gateways to payments and electronic services.

International Growth

Emerging countries are undergoing massive transformation and have ambitious citizen service improvement plans. They want to make effective use of modern technology and they have no legacy systems impeding the change. As a result, they are able to effectively make use of the lessons learned in developed countries.

At the same time, emerging countries are also under pressure to improve transparency and efficiency from international agencies like the World Bank, the Asian Development Bank, United States Agency for International Development, etc. Imex will look to develop relationships with these agencies to assist in expanding the market opportunity in emerging countries.

Imex has massive projects in the pipeline in the Middle East, Africa (iGov – approximately $30 million over three years) and Asia (specifically India and Pakistan).

Imex will continue to target emerging countries in Africa and the Middle East where it has been successful in generating organic business opportunities. Imex will also look to establish business relationships with emerging countries in other parts of the world such as the Caribbean and Latin/South America. A final priority for Imex will be to look to English-speaking countries outside of North America such as Australia, New Zealand and the United Kingdom.

Competitive Conditions

There are a number of companies worldwide which provide specialized vertical public sector solutions like permits, licenses, payments etc. NIC in the US is a strong competitor in the area of transaction based services. However, Imex is a niche-smart government technology provider with an integrated platform that is unique and provides everything a government requires to deliver services effectively.

COMPLETED 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.

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.

Performance Shares

The Performance Shares 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.

Adjusted EBITDA

Imex Systems Inc. utilizes adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") to measure operating performance. Imex Systems' definition of Adjusted EBITDA excludes the aforementioned items, as well as withholding taxes paid to the Botswana government, which in Imex System's view do not reflect its core operating results. Adjusted EBITDA has further been adjusted for the effect of foreign exchange gains and losses and other non-cash expenses (accretion, listing expense, finders' fee expense, penalty shares expense and performance shares expense).

Adjusted EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net and comprehensive income or loss prepared in accordance with IFRS or as a measure of operating performance or profitability. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies.

The following table reconciles net loss to Adjusted EBITDA.

Detail	Three Months Ended June 30, 2016 ($)	Three Months Ended June 30, 2015 ($)	Six Months Ended June 30, 2016 ($)	Six Months Ended June 30, 2015 ($)
Net loss	(3,921,478)	(1,966,316)	(3,505,991)	(1,235,273)
Adjustments:				
Interest	4,834	3,481	8,483	9,296
Taxes	3,238	-	3,238	-
Depreciation	21,106	14,329	37,026	35,458
Foreign exchange gain/loss	29,033	257,270	267,161	(536,754)
Accretion	111,812	28,560	207,393	28,560
Listing expense	2,155,294	-	2,155,294	-
Finders' fee expense	431,650	-	431,650	-
Penalty shares expense	578,411	-	578,411	-
Performance Shares expense	1,079,125	-	1,079,125	-
Adjusted EBITDA	**493,025**	**(1,662,676)**	**1,261,790**	**(1,698,713)**

Analysis of Gross Margin

Revenues

Revenues for the six months ended June 30, 2016 were $4,085,370 compared to $1,380,840 in the comparative period, an increase of $2,704,530 or 196%. The increase was due to increased revenues for iGov implementation in Africa/Asia.

Revenues for the three months ended June 30, 2016 were $1,998,554 compared to $138,228 in the comparative period, an increase of $1,860,326 or 1,346%. The increase was due to increased revenues for iGov implementation in Africa/Asia. This was offset partially by a small decrease in local municipal and provincial government revenues.

Given the trends with traditional local ministry and government agency revenues falling and a higher demand for the iGov solution platform, Imex Systems has shifted its focus towards international government agency contracts.

Recognizing the market opportunity in emerging countries, Imex Systems is also looking to secure a contract with various African and Asian governments similar in nature to the one that was secured with Botswana. Further, Imex Systems is also looking to provide artificial intelligence and robotic government solutions in Dubai over the course of three years. Within the North American market, Imex Systems' strategy will focus on acquiring firms with existing municipal customer bases in managed processing and transaction based services.

Cost of Sales

Consulting contractor costs were $1,259,892 for the six months ended June 30, 2016 compared to $1,673,437 for the six months ended June 30, 2015, a decrease of $413,545 or 25%. Consulting contractor costs were $570,255 for the three months ended June 30, 2016 compared to $930,996 for the three months ended June 30, 2015, a decrease of $360,741 or 39%. The decrease is mainly the result of the decreased consulting contractors needed to service the local provincial and municipal government contracts.

Analysis of Operating Expenses

Selling

Travel costs were $18,738 for the six months ended June 30, 2016, compared to $50,381 for the six months ended June 30, 2015, representing a decrease of $31,643 or 63%. Travel costs were $9,279 for the three months ended June 30, 2016, compared to $130,715 for the three months ended June 30, 2015, representing a decrease of $121,436 or 93%. The decrease in the three and six month amounts is due to the travel and accommodation costs incurred to service the Botswana contract in the comparative period which did not occur in the current period.

Marketing costs were $12,708 for the six months ended June 30, 2016, compared to $64,662 for the six months ended June 30, 2015, representing a decrease of $51,954 or 80%. Marketing costs were $8,390 for the three months ended June 30, 2016, compared to $58,194 for the three months ended June 30, 2015, representing a decrease of $49,804 or 86%. During the three and six months, the Company's focus was on completing the Transaction. Marketing expenses are expected to increase in the near future as $100,000 of the proceeds received from the units issued on May 13, 2016 are held as escrowed funds be spent on certain marketing initiatives as outlined in the Escrow Agreement.

General and administrative

Professional fees were $299,768 for the six months ended June 30, 2016 compared to $192,559 for six months ended June 30, 2015, representing an increase of $107,209 or 56%. Professional fees were $172,901 for three months ended June 30, 2016 which was consistent with the $173,499 for the three months ended June 30, 2015. The increase in professional fees stemmed from additional legal and other professional fee costs related to the Transaction.

Other items

Loss (gain) on foreign exchange was $29,033 and $267,161 for the three and six months ended June 30, 2016 versus $257,270 and ($536,754) for the three and six months ended June 30, 2015. This gain/loss was primarily due to fluctuations in the US dollar versus the Canadian dollar due to US dollar denominated accounts receivable. As Imex Systems continues to venture internationally, its exposure to foreign exchange risk will also increase.

Accretion was $111,812 and $207,393 for the three and six months ended June 30, 2016 versus $28,560 for the three and six months ended June 30, 2015. This was the result of convertible debentures issued during the three and six months ended June 30, 2015 which were converted into Units on the Transaction.

Listing expense was $2,155,294 for the three and six months ended June 30, 2016. This was a non-cash expense that was determined based on the value of the common shares issued less the net assets received on the Transaction.

Finders' fee expense was $431,650 for the three and six months ended June 30, 2016. This was a non-cash expense due to the issuance of 500,000 shares to Paige Capital Inc. as a finder's fee for completion of the Transaction.

Penalty shares expense was $578,411 for the three and six months ended June 30, 2016. This was a non-cash expense due to the issuance of 670,000 shares to certain convertible debenture holders due to the Transaction not being completed within one year of issuance of certain convertible debentures.

Performance Shares expense was $1,079,125 for the three and six months ended June 30, 2016. This was a non-cash expense due to the issuance of 2,500,000 common shares to the Chief Executive Officer of the Company, which are subject to the release terms as described above.

LIQUIDITY RISK AND CAPITAL RESOURCES

Cash and cash equivalents as of June 30, 2015 was $55,720 versus $92,984 at December 31, 2015. Management prepares budgets and cash flow forecasts to assist in managing its liquidity risk.

Imex's recent history shows a strong operating income trend with the Company revamping its traditional iCity service into iGov and the implementation of the iGov solution on an international scale. As the Company continues to explore more international opportunities, and begins venturing into artificial and intelligent robotic solutions for governments, it is expected that this strong upward trend in operating income will continue. Imex also has access to committed credit facilities and other sources of funding to assist with the cash flow needs of the Company.

Operations

Cash flows used in operating activities for the six months ended June 30, 2016 was $1,456,051. By comparison, $460,070 was provided for the six months ended June 30, 2015. The decrease in net cash outflow from operating activities for 2016 was primarily due to an increase in accounts receivable versus a decrease in accounts receivable in the prior period.

Financing

Cash flows provided by financing activities for the six months ended June 30, 2016 was $1,355,981. By comparison, $2,651,959 was generated from financing activities for the six months ended June 30, 2015. Cash flows generated in 2016 were due to units issued, net of issue costs, of $1,125,991, a short-term loan received of $245,000 (forgiven on the Transaction) and net proceeds from long-term debt and bank indebtedness of $134,990. This was partially offset by subscription receipt refunded proceeds of $150,000. Cash flows generated in 2015 were due to subscription receipt proceeds of $700,000, proceeds from convertible debentures, net of issue costs, of $1,901,822 and units issued, net of issue costs, of $200,672. This was partially offset by the decrease in bank indebtedness of $126,025.

Investing

Cash flows provided by investing activities for the six months ended June 30, 2016 was $62,806. By comparison, $1,421,617 was used in investing activities for the six months ended June 30, 2015. The cash flows provided by investing activities in 2016 was primarily due to a decrease in funds held in trust of $93,862, partially offset by purchase of property, plant and equipment of $34,578. Cash flows used in 2015 was primarily due to an increase in funds held in trust of $1,051,192 and Class A Preference shares retracted of $300,000.

Selected Quarterly Information

Three Months Ended	Total Revenue ($)	Profit or Loss	
		Total ($)	Per Share ($)[1]
June 30, 2016	1,998,554	(3,921,478)	(0.28)
March 31, 2016	2,086,816	415,487	0.04
December 31, 2015	1,378,950	(658,082)	(0.06)
September 30, 2015	5,248,444	2,920,718	0.29
June 30, 2015	138,228	(1,966,316)	(0.23)
March 31, 2015	1,242,612	731,043	0.12
December 31, 2014	2,405,487	(207,134)	(0.04)
September 30, 2014	2,723,754	946,612	0.16

[1] Earnings per share for the three months ended March 31, 2015, December 31, 2014 and September 30, 2014 is based on the weighted average number of Class C shares outstanding. This is due to there being no common shares outstanding and the Class C shares being considered subordinate to all other classes of equity during these periods.

Capital Stock

As at the date of this MD&A, Imex System had the following capital stock outstanding:

20,254,301 common shares, including 2,500,000 of which are held in escrow as Performance Shares.

In addition the Company had 1,823,264 warrants (exercisable for common shares at $1.50 per share until November 13, 2017) and 213,257 finders' options (exercisable for a Unit at $1.00 per Unit until November 13, 2017).

Contractual Obligations

The contractual obligations held by Imex include long-term debt obligations and the office lease agreement, as described below.

Detail	Not later than one year ($)	Later than one year and not later than five years ($)	Later than five years ($)	Total ($)
BDC Loan	27,825	108,295	-	136,120
Office Lease	72,000	360,000	132,000	528,000
Total	**99,825**	**468,295**	**132,000**	**664,120**

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, 2016, the company incurred $7,500 and $14,250 (three and six months ended June 30, 2015 - $nil) for professional fees to a company where the Chief Financial Officer (Daniel Crandall) is a senior employee.

During the three and six months ended June 30, 2016, the company incurred $38,000 and $83,000 (three and six months ended June 30, 2015 - $nil) for consulting from an officer (Michael Frank) of the Company.

(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:

Detail	Three Months Ended June 30, 2016 ($)	Three Months Ended June 30, 2015 ($)	Six Months Ended June 30, 2016 ($)	Six Months Ended June 30, 2015 ($)
Salaries	30,000	45,000	60,000	82,500

FINANCIAL INSTRUMENTS

The Company is exposed to various risks related to its financial assets and liabilities. The following analysis provides a measure of the Company's risk exposure and concentrations at June 30, 2016. 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 Company's financial instruments include cash, funds held in trust, accounts receivable, loan receivable from employee, bank indebtedness, accounts payable and accrued liabilities, dividends payable, subscription receipts, convertible debentures and long-term debt. The carrying value of these instruments approximate their fair value due to their short term maturities.

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 June 30, 2016, the Company had current assets of $9,445,760 (December 31, 2015 - $7,188,081) and current liabilities of $2,507,268 (December 31, 2015 - $4,294,410). Current working capital of the Company as at June 30, 2016 is $6,938,492 (December 31, 2015 - $2,893,671).

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. As at June 30, 2016 approximately 85% of the accounts receivable balance is owed from one customer (December 31, 2015 – 88%). 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.

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 types of risks: currency risk, interest rate risk and other price risk.

Currency risk

The Company is exposed to currency risk in United States dollars. 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.

Management believes that the exchange rate between the Canadian and US dollars could fluctuate by 10% within the next 6 months. Based on the June 30, 2016 balance, an increase or decrease of 10% in the exchange rate between the Canadian and US dollars would result in an increase or decrease of approximately $276,000 in net loss.

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 market interest 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.

CAPITAL 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 accretive 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 June 30, 2016 totaled $7,078,431 (December 31, 2015 - $3,071,298).

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.

ISSUED STANDARDS NOT YET ADOPTED

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.

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.

RISKS AND UNCERTAINTIES

There are many factors that will affect Imex's ability to sustain and increase both revenue and profitability, and impact the nature and amount of its expenditures. These include:

Competition

Imex operates in highly competitive environments that include its customers' internal capabilities. Management believes that the principal competitive factors in its markets include technological strength, speed and flexibility in responding to design or schedule changes, price, quality, delivery, cost management and financial strength. The Company's earnings could decline if its competitors or customers can provide comparable speed and quality at a lower cost, or if the Company fails to adequately invest in the range and quality of services and products its customers require.

Some of the Company's competitors, as compared to the Company, are larger and have greater financial and organizational resources, geographic breadth and range of services, customer bases and brand recognition than we do. As a result, the Company's competitors may respond more quickly to technological changes or customer needs, consume lower fixed and variable unit costs, and obtain better terms for financing growth. If the Company fails to compete in any of these areas, it may lose market share and its business could be seriously harmed. There can be no assurance that the Company will not experience increased competition or that the Company will be able to maintain its profitability if its competitive environment changes.

Dependence on Key Customers

Imex's revenues are currently generated primarily from a few key customers. In 2016 and beyond, the Company will need to attract new clients and attempt to diversify its customer base from a limited number of potential customers and with longer lead times often being required for new programs. Imex's customers are generally governments which can result in unpredictable funding levels and government procurement and certification processes.

There can be no assurance that any of Imex's customers will not default on, delay or dispute payment of, or seek to reject its outstanding invoices.

Capital Requirements

The Company has limited financial resources and may require additional equity or debt financing in order to carry out its business objectives, including the continued development of new and upgraded functionality of the Company's products and services. There can be no assurance that debt or equity financing or cash generated by operations would be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it would be on terms acceptable to the Company. Failure to obtain sufficient financing may result in the delay or indefinite postponement of development or production on any or all of the Company's products and services which could have a material adverse effect on the Company's business, financial condition and results of operations.

Protection of Intellectual Property

The Company's commercial success depends upon its ability to develop new or improved technologies and products, and to successfully obtain or acquire patent or other proprietary or statutory protection for these technologies and products in Canada, the United States and other countries.

The Company relies on, among other things, copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. While the Company enters into confidentiality and non-disclosure agreements with its employees, consultants, customers, potential customers and others to attempt to limit access to and distribution of proprietary and confidential information, it is possible that:

- some or all of its confidentiality and non-disclosure agreements will not be honored;
- third parties will independently develop equivalent technology or misappropriate the Company's technology or designs;
- disputes will arise with the Company's strategic partners, customers or others concerning the ownership of intellectual property;
- unauthorized disclosure or use of the Company's intellectual property, including source code, know-how or trade secrets will occur; or
- contractual provisions may not be enforceable.

There can be no assurance that the Company will be successful in protecting its intellectual property rights. Inability to protect its intellectual property rights could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Infringement on Intellectual Property

The Company's commercial success depends upon the Company avoiding infringing intellectual property rights owned by others. The industry in which the Company competes has many participants that own, or claim to own, intellectual property, including participants that have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. Some of these patents may grant very broad protection to the third party owners of the patents. Patents can be issued very rapidly and there is often a great deal of secrecy surrounding pending patents. The Company cannot determine with certainty whether any existing third-party patents or the issuance of any new third-party patents would require the Company to alter its technologies, pay for licenses or cease certain activities. Third parties may assert intellectual property infringement claims against the Company and against its customers and suppliers. The Company may be subject to these types of claims either directly or indirectly through indemnities against these claims that it provides to certain customers, partners and suppliers. There can be no assurance that the Company's attempts to negotiate favourable intellectual property indemnities with its suppliers for infringement of third-party intellectual property rights will be successful or that a supplier's indemnity will cover all damages and losses suffered by the Company and its customers, partners and other suppliers due to infringing products, or that the Company can secure a license, modification or replacement of a supplier's products with non-infringing products that may otherwise mitigate such damages and losses.

Some of the Company's competitors have, or are affiliated with companies that have, substantially greater resources than the Company, and these competitors may be able to sustain the costs of complex intellectual property infringement litigation to a greater degree and for longer periods of time than the Company. Regardless of whether third-party claims of infringement against the Company have any merit, these claims could:

- adversely affect the Company's relationships with its customers;
- be time-consuming to evaluate and defend;
- result in costly litigation;
- result in negative publicity for the Company;
- divert management's attention and resources;
- cause product and software delivery delays or stoppages;
- subject the Company to significant liabilities;
- require the Company to enter into costly royalty or licensing agreements;
- require the Company to develop possible workaround solutions that may be costly and disruptive to implement; or
- require the Company to cease certain activities or to cease distributing its products and delivering its services in certain markets.

In addition to being liable for potentially substantial damages relating to a patent or other intellectual property infringement action against the Company or, in certain circumstances, the Company's customers with respect to its products and services, the Company may be prohibited from developing or commercializing certain technologies or products unless the Company obtains a license from the holder of the patent or other intellectual property rights. There can be no assurance that the Company will be able to obtain any such license on commercially reasonable terms, or at all. If the Company does not obtain such a license, its prospects, business, operating results and financial condition could be materially adversely affected and the Company could be required to cease related business operations in some markets and restructure its business to focus on continuing operations in other markets. In addition, the Company includes and promotes certain third-party applications and content with its products. The Company's support and promotion of third-party applications and content increases the risk of intellectual property litigation if such applications and content infringe on the patents or other intellectual property rights of others.

Dependence on Key Personnel and Employees

The success of the Company is dependent on the services and performance of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. The Company strongly depends on the business and technical expertise of its management and key personnel. Due to the relatively small size of the Company, the loss of any of these individuals or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The competition for highly skilled technical, research and development, management and other employees is high and there can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel.

Rapid Technology Developments

The industries targeted by Imex's business are characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. To keep pace with the technological developments, achieve product acceptance and remain relevant to users, the Company will need to continue developing new and upgraded functionality of its products and services and adapt to new business environments and competing technologies and products developed by its competitors. The process of developing new technology is complex and uncertain. To the extent the Company is not able to adapt to new technologies and/or standards, experiences delays in implementing adaptive measures or fails to accurately predict emerging technological trends and the changing needs of end-users, the Company may lose clients and/or fail to secure new clients.

The Company has developed and is continuing to develop a number of products and services incorporating advanced technologies and it will pursue those products and services that it expects to have the best chance for success based on the Company's expectations of future market demand. The development and application of new technologies involve time, substantial costs and risks. There can be no certainty that the Company will be able to develop new products, services and technologies to keep up-to-date with developments and, in particular, to launch such products, services or technologies in a timely manner or at all. There can be no certainty that such products will be popular with end-users or that such products or new technologies will be reliable, robust and not susceptible to failure. Any of these factors could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Defects in Products and Services

The Company's products and services are highly complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Defects, errors or bugs found in the Company's new products or services could delay commercial release for an extended period of time. Errors or defects may be found in new products or services after launch and, even if discovered, the Company may not be able to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and failures in the Company's products or services could result in loss of or delay in end user acceptance of its products or services and may harm the Company's reputation. Correcting such errors and failures in its products or services could require significant expenditures by the Company, involving cost or time and effort of personnel.

The consequences of such errors, failures and claims could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

User Data/Cybersecurity

The Company may require the registration of its users prior to accessing its products or services or certain features of its products or services and it may be subject to increased legislation and regulations on the collection, storage, retention, transmission and use of userdata that is collected. The Company's efforts to protect the personal information of its users may be unsuccessful due to the actions of third parties, software bugs or technical malfunctions, employee error or malfeasance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to the Company's data or its user's data. If any of these events occur, users' information could be accessed or disclosed improperly. Any incidents involving the unauthorized access to or improper use of the information of users or incidents involving violation of the Company's terms of service or policies, could damage the Company's reputation and the Company's brand and diminish its competitive position. In addition, the affected users or governmental authorities could initiate legal or regulatory action against the Company in connection with such incidents, which could cause the Company to incur significant expense and liability or result in orders or consent decrees forcing the Company to modify its business practices and remediate the effects of any such incidents of unauthorized access or use. Any of these events could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

The costs related to cyber security or other security threats or disruptions may not be fully insured or indemnified by other means. Occurrence of any of these events could adversely affect the Company's internal operations, the services it provides to customers, loss of competitive advantages derived from its research and development efforts, early obsolescence of its products and services, its future financial results, its reputation or its share price.

The Company transmits and stores a large volume of data. The interpretation of privacy and data protection laws and their application to the Internet is unclear and subject to rapid change in numerous jurisdictions. There is a risk that these laws may be interpreted and applied in a manner that is not consistent with the Company's data protection practices and results in additional compliance or changes in the Company's business practices, or both, and liability or sanction under these laws. In addition, certain foreign jurisdictions may claim that the Company is required to comply with local laws, even where the Company has no local operating entity, employees, infrastructure or other physical presence in those jurisdictions.

Reliance on Collaborative Partners

The Company expects to rely on collaborative arrangements to provide services and to develop and commercialize some of its products or services in the future. There can be no assurance that the Company will be able to negotiate acceptable collaborative arrangements, that such collaborative arrangements will be successful or that the Company would not be required to relinquish certain material rights to its products or services. In addition, there can be no assurance that the Company's collaborative partners will not pursue alternative technologies or develop alternative products or services either on their own or in collaboration with others, including the Company's competitors. To the extent that the Company succeeds in entering into collaborative arrangements, it will be dependent on the efforts of third parties for the continued development of certain services or products.

Additionally, the Company employs agents and subcontractors as part of the delivery of the, Company's services to its customers and as part of the development and commercialization of the Company's products. The ultimate liability for the performance of the agents or subcontractors lies with the Company. Further, the Company's business model is based on the distribution of its products and services by third parties. If these third parties are not successful in distributing the Company's products and services it could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

New Business Areas and Geographic Markets

The Company's growth strategy is dependent upon expanding its product and service offerings into new business areas or new geographic markets. There can be no assurance that these new business areas and geographic markets will generate the anticipated clients and revenue. In addition, any expansion into new business areas or geographic markets could expose the Company to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; differing technology standards or end-user requirements and capabilities; difficulties staffing and managing foreign operations; infringement of third party intellectual property rights; the cost of localising software (including translations) or otherwise adapting its products and services for new markets; difficulties collecting accounts receivable; or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner. These factors could cause the Company's expansion into new business areas or geographic markets to be unsuccessful or less profitable than its existing markets, or could cause the Company's operating costs to increase unexpectedly or its sales to decrease, any of which could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

The Company expects that a substantial portion of its future revenue will be derived from its business operations outside of Canada. Execution of this business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays. If the Company does proceed to operate in different international regions, revenues earned from customers may decrease in the future for a variety of reasons, including increased competition and new entrants into geographic markets in which the Company operates or intends to operate. Depending on the countries involved, any or all of the foregoing factors could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters in countries within which the Company intends to operate will not change. Any such change could have a material adverse effect on the Company's business, financial condition and results of operations.

Operational and Financial Infrastructure

The Company is subject to growth-related risks, capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. This expansion may require the Company to commit financial, operational and technical resources in advance of an increase in the size of the business, with no assurance that the volume of business will increase or that such initiatives to improve and upgrade its systems and infrastructure will be successful. The inability to deal with this growth or any failure in these initiatives could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Information Technology Defects

The integrity, reliability and operational performance of the Company's content aggregation, parsing and distribution and other operational information technology (''IT'') systems are critical to the Company's ability to serve its clients. The Company's IT systems may be damaged or interrupted by increases in usage, human error, unauthorised access, natural hazards or disasters or similarly disruptive events. Any failure of these IT systems or the telecommunications and/or other third party infrastructure on which such systems rely, as described in "Reliance on Third Party Owned Communication Networks", could lead to significant costs and disruptions that could reduce the Company's revenue, harm the Company's business reputation and have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

The Company has procedures and measures in place to protect against network or IT system failure or disruption. However, those procedures and measures may not be effective to ensure that the Company is able to carry on its business in the ordinary course if they fail or are disrupted. In addition, the Company's IT systems may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, denial of service attacks, viruses or cybercrime. Any failure in these protections could harm the Company's business reputation and have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Reliance on Third-Party Owned Communication Networks

The delivery of the Company's products and services and a significant portion of the Company's revenues are dependent on the continued use and expansion of third-party owned communication networks, including wireless networks and the Internet. No assurance can be given of the continued use and expansion of these networks as a medium of communications for the Company.

Effective delivery of the Company's products and services through the Internet is dependent on Internet service providers continuing to expand high-speed Internet access, maintaining reliable networks with the necessary speeds, data capacity and security, and developing complementary products and services for providing reliable and timely access and services. Changes in access fees (for example, revising the application of bandwidth caps or other metered usage schemes) to users may adversely affect the ability or willingness of users to access the Company's content. Changes in access fees to distributors, such as the Company or its service providers, or a departure from ''net neutrality'' (the principle that all forms of Internet traffic (including video, voice, and text) are subject to equal treatment in transmission speed and quality) or its governing regulations, as described in "Governmental Regulation of the Internet" could result in increased costs to the Company. All of these factors are out of the Company's control and the manifestation of any of them could ultimately have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

In addition, increasing traffic, user numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or Internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of the Company's services, additional and unexpected expenses to fund further product development or to add programming personnel to complete a development project, loss of revenue because of the inability of users or subscribers to use the Company's services, or the cancellation by users or subscribers of their service with the Company, any of which could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Uncertain Economic Health of the Wider Economy

The Company's revenue streams are dependent on the overall macro-economic environment. Current and future conditions in the domestic and global economies remain uncertain. Accordingly, adverse developments in the macro-economic environment could substantially reduce the funds spent on the products and services offered by Imex and have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Governmental Regulation of the Internet

Governments and regulatory authorities in some jurisdictions in which the Company's content originates or its users reside, including Canada, impose rules and regulations affecting the third party owned communications networks over which the Company's services are accessed, including Internet and mobile connectivity (''network services'') and affecting the audiovisual content distributed to the public as part of the Company's services (''audiovisual media''). In certain circumstances this frequently controversial governmental regulation of the Internet protects the Company's activities from certain tactics by competitors or potential competitors. Should efforts to overturn this governmental regulation prove successful, network services providers could impose restrictions that adversely impact the Company's ability to deliver content on an equal footing with other audiovisual media providers.

Currency Fluctuations

The Company's reporting currency is Canadian dollars but an increasing proportion of the Company's revenue may be earned and expenses may be incurred in other currencies, including the US dollar. See "New Business Areas and Geographic Markets". The movement of any of these currencies against the Canadian dollar could have a material adverse effect on the Company's prospects, business, financial condition and results of operations.

Changes in Taxation

Changes in taxation rates or law, or misinterpretation of the law or any failure to manage tax risks adequately could result in increased charges, financial loss, including penalties and reputational damage, and which could have a material adverse effect on the Company's prospects, business, financial condition and results of operations.

Exposure to Taxable Presences

The policy of the Company will be to manage and operate its business in a way that is intended to ensure that it is resident for tax purposes solely in the jurisdiction in which it is incorporated or domiciled and that it has no taxable permanent establishments or other taxable presence in any other jurisdiction. However, if the Company is found to be tax resident elsewhere or to have a taxable permanent establishment or other taxable presence elsewhere, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the overall amount of tax payable by the Company.

Risk of Litigation

The Company may become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it could have a material adverse effect on the Company's prospects, business, financial condition and results of operations.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, recorded and reported and assets are safeguarded against unauthorized or improper use. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.