

**Imex Systems Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS -**  
**QUARTERLY HIGHLIGHTS**

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

The following Management's Discussion and Analysis ("MD&A") of Imex Systems Inc., ("Imex Systems", "Imex" or the "Company") for the three and six months ended June 30, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual Management's Discussion & Analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2016. This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual financial statements for the years ended December 31, 2016 and 2015, together with the notes thereto, and unaudited condensed interim financial statements for the three and six months ended June 30, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Information contained herein is presented as of August 28, 2017, unless otherwise indicated.

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.

## OPERATIONAL HIGHLIGHTS

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- 1. Revenues decreased by 74% to \$1,080,426 for the six months ended June 30, 2017 compared to \$4,085,370 in the prior period.**

This decrease was primarily attributable to decreased revenue for iGov implementation in Africa/Asia due to procurement process delays on various new contracts to capitalize on the demand for the modernization of governments in the international market. The Company was awarded a new contract with the Government of Botswana in Q4 2016 through a formal procurement process which was publicly announced by the Botswana government. See “Operational Overview” below.

- 2. Adjusted EBITDA of \$(782,689) for six months ended June 30, 2017 compared to \$1,258,552 in the prior period.**

See “Adjusted EBITDA” section below for definition and reconciliation. The negative Adjusted EBITDA in the current period was the result of decreased revenue from new contracts awarded as noted above. 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. As part of the contract which was awarded by the Government of Botswana, the Company expects payment against the accounts receivable in 2017 of a minimum of \$3,000,000 as well as additional payments based on the meeting of milestones. The Company has also received corporate tax refunds in Q3 2017 of approximately \$350,000. See “Liquidity Risk and Capital Resources” below.**
- 4. The Company has numerous initiatives in 2017 and beyond to accelerate its growth and provide shareholder value. See “Business Objectives and Operations” under “Operational Overview” below.**

## OVERVIEW

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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. The current system enables digital transformation, not just deliver eServices. 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 technology 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 larger state/provincial 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. The symbol was subsequently changed to IMEX on November 4, 2016.

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

## OPERATIONAL OVERVIEW

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### **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 by using smart technology. 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.

Since the large projects, especially with governments have long sales cycles, Imex is consistently putting in the necessary efforts to achieve these objectives.

In 2017 and beyond, the Company seeks to achieve these objectives and accelerate its growth through the following initiatives:

- The Company was awarded a new USD \$14.56M contract with the Government of Botswana in Q4 2016 through a formal procurement process, and the contract award was announced by the Botswana government. The contract has been formally accepted by the Company. Therefore a binding contract already exists under the procurement rules of the customer. Due to the delays in starting the project by 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 Government of Botswana has filed papers to indicate it will be taking no position and will abide by any decision of the court. As a result a hearing is scheduled with the courts for September 15, 2017. The company expects to reach an agreement with the Government of Botswana either to start the project immediately or receive compensation.

Once the project starts, the impact of this contract on revenue is expected to be realized mainly in fiscal years 2017 and 2018 as well as beyond. This is a new phase of a larger multi-stage project that is expected to grow significantly over the next few years, as hundreds of additional government services are required to be implemented and new technologies and functionality are to be supplied across the region.

- The Company's business development efforts in international market are starting to show the results. The Company has a good international pipeline for both government modernization and smart cities. The Company will continue on-going discussion on various new contracts to capitalize on the demand for the modernization of governments in the international market. Imex is in discussion with several governments in India and Africa, which have the potential to be a significant market for Imex in the near term.
- The Company is rolling out cloud services for North America and has successfully piloted cloud offerings for several municipalities in Canada this year. Imex has developed an aggressive strategy to implement these solutions for at least 200 cities/towns in Canada and the US during the next 5 years, which includes enhancing the existing foothold in Ontario.
- The company has recently signed a consulting services contract with a major Canadian City. This is a 3-year contract that is effective from Apr 1, 2017 until April 2020. The City and its agencies will be using

Imex for various IT projects that require specific consulting and software development services around various technology projects. The Company estimates that the value of the contract will be in the range of \$6 million CDN over a 3- year period.

- Imex is now extending the iPay solution, to incorporate digital wallet technology to help citizens make payments for Government products and services. The system to be launched by Imex, will be an innovative offering that can help citizens not only make payments to the Government, but also receive them through the digital wallet. The platform will be launched both in developed markets as well as in emerging countries. The technology will support smart phones, conventional mobile phones, as well as other channels. In the case of smart cities, the digital wallet will support payments for parking, public transportation and other services. Imex sees tremendous international growth not only in the digital wallet area, but in the launch of Government prepaid cards.
- The Company is exploring various discussions of accretive opportunities, by way of acquisition and/or joint venture, to enhance shareholder value.

## **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 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 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 and helps the city to become a Smart 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. miPay also supports digital wallets and mobile POS.

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 public sector 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 in India).

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.

Imex has already started extensive business development in Australia and found excellent reception for Imex iGov and iCity products.

### **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.

## ANALYSIS OF OPERATIONS

### **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, performance shares expense and share-based payments).

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, 2017 (\$)	Three Months Ended June 30, 2016 (\$)	Six Months Ended June 30, 2017 (\$)	Six Months Ended June 30, 2016 (\$)
Net loss	(104,887)	(3,921,478)	(1,739,769)	(3,505,991)
Adjustments:				
Interest	20,397	4,834	39,018	8,483
Depreciation	13,165	21,106	26,330	37,026
Foreign exchange gain/loss	(7,330)	29,033	(10,776)	267,161
Accretion	-	111,812	-	207,393
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	(107,912)	1,079,125	323,738	1,079,125
Share-based payments	-	-	578,770	-
<b>Adjusted EBITDA</b>	<b>(186,567)</b>	<b>489,787</b>	<b>(782,689)</b>	<b>1,258,552</b>

### **Financial Performance**

For the three months ended June 30, 2017, Imex realized a net loss of \$104,887 (three months ended June 30, 2016: net loss of \$3,921,478) or loss of \$0.01 per share (three months ended June 30, 2016: loss of \$0.28 per share). The decrease of \$3,816,591 in net loss was principally because:

- Revenues and cost of sales for the three months ended June 30, 2017 were \$587,104 and \$486,871 compared to \$1,998,554 and \$570,255 in the comparative period, a decrease of \$1,411,450 or 71% in revenue and \$83,384 or 15% for cost of sales. The decrease was due to decreased revenues for iGov implementation in Africa/Asia due to on-going negotiations on new contracts to capitalize on the demand for the modernization of governments in the international market.
- General office expenses decreased \$163,988 and salaries and benefits decreased \$342,459 for the three months ended June 30, 2017 versus the three months ended June 30, 2016. This was the result of cost cutting measures put in place.

- Accretion was \$nil for the three months ended June 30, 2017 versus \$111,812 for the three months ended June 30, 2016. This was the result of convertible debentures issued during the year ended December 31, 2015 which were converted into units in the year ended December 31, 2016.
- Performance Shares expense was \$(107,912) for the three months ended June 30, 2017 versus \$1,079,125 for the three 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 in the unaudited condensed interim financial statements.
- Listing expense was \$2,155,294 for the three 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 May 13, 2016 transaction.
- Finders' fee expense was \$431,650 for the three 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 May 13, 2016 transaction.
- Penalty shares expense was \$578,411 for the three 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 May 13, 2016 transaction not being completed within one year of issuance of certain convertible debentures.

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### LIQUIDITY RISK AND CAPITAL RESOURCES

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Cash as of June 30, 2017 was \$13,349 versus \$5,381 at December 31, 2016. Management prepares budgets and cash flow forecasts to assist in managing its liquidity risk.

As part of the contract which was awarded by the Government of Botswana, the Company expects payment against the accounts receivable in 2017 of a minimum of \$3,000,000 as well as additional payments based on the meeting of milestones. See "Operational Overview" above.

The Company also received corporate tax refunds in Q3 2017 of approximately \$350,000.

Imex has access to committed credit facilities to assist with the short-term cash flow needs of the Company on top of short-term loans from a shareholder controlled by the Chief Executive Officer. The Company is currently in discussions with Export Development Canada to backstop an additional credit facility based on the contract awarded by the Government of Botswana.

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 expects a strong upward trend in operating income.

#### **Operations**

Cash flows provide by operating activities for the six months ended June 30, 2017 was \$17,376. By comparison, \$1,456,051 was used in the six months ended June 30, 2016. The decrease in net cash outflow from operating activities was primarily due to cash saving measures put in place due to the delays experienced in the Botswana contract.

#### **Financing**

Cash flows used in financing activities for the six months ended June 30, 2017 was \$51,521. By comparison, \$1,355,981 was generated from financing activities for the six months ended June 30, 2016. Cash flows used in 2017 were mainly due to the decrease in bank indebtedness of \$94,181, offset by net proceeds from long-term debt and short-term loan of \$42,660. Cash flows generated in 2016 were due to units issued, net of issue costs of

\$1,125,991, short-term loans received of \$245,000 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.

### Investing

Cash flows provided by investing activities for the six months ended June 30, 2017 was \$42,113. By comparison, \$62,806 was provided by investing activities for the six months ended June 30, 2016. The cash flows provided by investing activities in 2017 and 2016 was due to a decrease in funds held in trust.

### COMMITMENTS AND CONTINGENCIES

(i) 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	68,242	145,543	3,320	217,105
Office Lease	78,000	324,000	54,000	456,000
<b>Total</b>	<b>146,242</b>	<b>469,543</b>	<b>57,320</b>	<b>673,105</b>

(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 this MD&A, 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 this MD&A, no amounts have been setup as receivable due to the uncertainty of collection.

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

### RELATED PARTY TRANSACTIONS

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

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

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

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

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

(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:

<b>Detail</b>	<b>Three Months Ended June 30, 2017 (\$)</b>	<b>Three Months Ended June 30, 2016 (\$)</b>	<b>Six Months Ended June 30, 2017 (\$)</b>	<b>Six Months Ended June 30, 2016 (\$)</b>
Salaries	47,000	30,000	92,000	60,000
Share-based payments	-	-	466,750	-

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

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## **RISKS AND UNCERTAINTIES**

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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:

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com).

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## **DISCLOSURE OF INTERNAL CONTROLS**

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Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements; and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.