
IMEX SYSTEMS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	As at September 30, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 131,629	\$ 378
Funds held in trust (note 6)	421,509	69,096
Accounts receivable (note 7)	34,971	372,798
Prepaid expenses	71,372	11,816
Loan receivable from employee (note 8)	-	5,750
Harmonized sales taxes receivable	61,359	12,986
Total current assets	720,840	472,824
Non-current assets		
Property, plant and equipment (note 9)	102,443	128,325
Total assets	\$ 823,283	\$ 601,149
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Bank indebtedness (note 10)	\$ -	\$ 336,192
Accounts payable and accrued liabilities (note 11)	930,392	1,898,266
Short-term loan (note 13)	434,424	434,424
Current portion of long-term debt (note 12)	49,343	42,352
Total current liabilities	1,414,159	2,711,234
Non-current liabilities		
Long-term debt (note 12)	119,972	152,583
Total Liabilities	1,534,131	2,863,817
Shareholders' (deficit) equity		
Capital stock (note 14)	7,568,916	6,489,127
Contributed surplus	3,667,697	3,505,817
Warrants (note 16)	1,391,224	498,358
Deficit	(13,338,685)	(12,755,970)
Total shareholders' (deficit) equity	(710,848)	(2,262,668)
Total liabilities and shareholders' (deficit) equity	\$ 823,283	\$ 601,149

Going Concern Assumption (note 2); Commitments and Contingencies (note 21)

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

Approved on behalf of the Board of Directors:

"Andrew Lindzon", Director

"Krishnasamy Parthiban", Director

Imex Systems Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Fee revenue	\$ 15,458	\$ 579,650	\$ 603,034	\$ 1,660,076
Cost of sales				
Consulting contractors	9,528	464,791	362,370	1,377,865
Gross margin	5,930	114,859	240,664	282,211
Operating expenses				
General and administrative (note 22)	97,958	141,108	457,091	538,733
Remuneration (note 22)	21,962	180,342	74,462	704,716
Selling (note 22)	51,999	7,168	56,198	50,873
Occupancy (note 22)	25,158	22,539	73,748	73,247
Loss before other expenses	(191,147)	(236,298)	(420,835)	(1,085,358)
Other expenses (income)				
Loss (gain) on foreign exchange	-	(3,770)	-	(14,546)
Other income		(24,554)	-	(24,554)
Share-based payments (note 17)	161,880	-	161,880	578,770
	161,880	(28,324)	161,880	539,670
Loss before income taxes	(353,027)	(207,974)	(582,715)	(1,625,028)
Income tax expense (recovery)	-	19,623	-	18,690
Net loss	(353,027)	(227,597)	(582,715)	(1,643,718)
Other comprehensive income	-	-	-	-
Total comprehensive loss	\$ (353,027)	\$ (227,597)	\$ (582,715)	\$ (1,643,718)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.09)
Weighted average number of shares outstanding (note 18)	40,005,315	17,754,301	27,608,014	17,754,301

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

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating activities		
Net loss for the period	\$ (582,715)	\$ (1,643,718)
Adjustment for:		
Amortization of property, plant and equipment	25,882	39,494
Accrued interest	-	16,242
Share-based payments	161,880	578,770
Changes in non-cash working capital items:		
Accounts receivable	337,827	689
Prepaid expenses	(59,557)	6,923
Investment tax credit receivable	-	49,000
Harmonized sales taxes receivable	(48,373)	93,056
Income taxes recoverable	-	302,214
Accounts payable and accrued liabilities	(967,874)	614,119
Harmonized sales taxes payable	-	-
Net cash provided by (used in) operating activities	(1,132,930)	56,789
Investing activities		
Loan repayment from (advanced to) employee	5,750	(7,250)
Decrease (increase) in funds held in trust	(352,413)	(31,175)
Net cash provided by (used in) investing activities	(346,663)	(38,425)
Financing activities		
Increase (decrease) in bank indebtedness	(336,192)	11,622
Units issued, net of issue costs	1,972,656	-
Repayment of long-term debt	(25,620)	(37,925)
Proceeds from long-term debt	-	50,000
Proceeds from short-term loan	-	15,000
Repayment of short-term loan	-	(15,000)
Net cash provided by (used in) financing activities	1,610,844	23,697
Net change in cash	131,251	42,061
Cash, beginning of period	378	5,381
Cash, end of period	\$ 131,629	\$ 47,442
Supplemental Information		
Interest paid	\$ 20,310	\$ -

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

Imex Systems Inc.**Condensed Interim Statements of Changes in (Deficit) Equity****(Expressed in Canadian Dollars)****Unaudited**

	Capital stock	Warrants	Equity portion of convertible debentures	Contributed surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2016	\$ 6,489,127	\$ 498,358	\$ -	\$ 2,927,047	\$(11,519,697)	\$(1,605,165)
Share-based payments	-	-	-	578,770	-	578,770
Net loss for the period	-	-	-	-	(1,643,718)	(1,643,718)
Balance, September 30, 2017	\$ 6,489,127	\$ 498,358	\$ -	\$ 3,505,817	\$(13,163,415)	\$(2,670,113)
Balance, December 31, 2017	\$ 6,489,127	\$ 498,358	\$ -	\$ 3,505,817	\$(12,755,970)	\$(2,262,668)
Share-based payments	-	-	-	161,880	-	161,880
Issued on private placement	1,972,655	-	-	-	-	1,972,655
Fair value of warrants	(892,866)	892,866	-	-	-	-
Net loss for the period	-	-	-	-	(582,715)	(582,715)
Balance, September 30, 2018	\$ 7,568,916	\$ 1,391,224	\$ -	\$ 3,667,697	\$(13,338,685)	\$ (710,848)

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

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

1. Nature of Operations

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

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

2. Going Concern Assumption

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

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

During the three and nine months ended September 30, 2018, the Company has incurred net loss of \$353,027 and \$582,715, respectively (three and nine months ended September 30, 2017 - \$227,597 and \$1,643,718 respectively) and as at September 30, 2018, the Company has an accumulated deficit of \$13,338,685 (December 31, 2017 \$12,755,970). In addition, the Company has a working capital deficiency as at September 30, 2018 of \$693,319 (December 31, 2017 - \$2,238,410). These circumstances create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption.

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

There is no assurance that the Company will be able to obtain the external financing necessary to fund its continuing operations. Under these circumstances the Company maintains the position that the application of going concern assumption is still appropriate.

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

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

3. Significant Accounting Policies

Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of November 16, 2018, the date the Board of Directors approved the statements.

Basis of presentation

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

The preparation of these unaudited condensed interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements.

Significant accounting policies

These unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended December 31, 2017.

These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2017. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine month period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2018.

New accounting standards adopted

The following standards have been applied in preparing the unaudited condensed interim financial statements as at September 30, 2018 and did not have a significant impact on the financial statements.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

3. Significant Accounting Policies (continued)

New accounting standards adopted (continued)

Financial instruments

During the period, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”), which addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) that relates to the classification and measurement of financial instruments.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income (loss) rather than in net earnings. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Original (IAS39)	New (IFRS 9)
Financial assets		
Cash and cash equivalents	Amortized costs	Amortized costs
Funds held in trust	Amortized costs	Amortized costs
Accounts receivable	Amortized costs	Amortized costs
Financial liabilities		
Accounts payable and accrued liabilities	Amortized costs	Amortized costs

Revenue from contracts with customers

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

The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition.

Imex Systems Inc.

**Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited**

3. Significant Accounting Policies (continued)

New accounting standards adopted, continued Revenue from contracts with customers, continued

The Company has adopted IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Management expects no significant impact resulting from the adoption of this new standard.

Share-based payment

In June 2016, the IASB issued amendments to IFRS 2 - Share-based Payment, clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions.

The Company has adopted amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. Management expects no significant impact resulting from the adoption of this new standard.

New accounting standards not yet adopted Leases

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

4. Capital risk management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity comprising capital stock, contributed surplus, warrants, and deficit which at September 30, 2018 totaled deficit of \$710,848 (December 31, 2017 - Deficit of \$2,262,668).

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.

Imex Systems Inc.

**Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited**

4. Capital risk management, continued

The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2018. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 CAD and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

5. Financial instruments

Risk Management

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

The Company is exposed to various risks related to its financial assets and liabilities which includes the following-cash, accounts receivable, accounts payable and accrued liabilities, short term loan and long-term debt. The following analysis provides a measure of the Company's risk exposure and concentrations at September 30, 2018. The financial instruments of the Company and the nature of the risks to which it may be subject to are as follows:

Fair value

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

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

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

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

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

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

Imex Systems Inc.

**Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited**

5. Financial instruments (continued)

Fair value (continued)

- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

The Company does not have any financial instruments as at September 30, 2018 classified as "Level 1 quoted prices in active markets". The Company has determined that there have been no transfers between levels in the hierarchy by reassessing categorization at the reporting date.

Liquidity risk

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

The Company has a comprehensive plan in place to meet its obligations as they come due. As at September 30, 2018, the Company had current assets of \$720,840 (December 31, 2017 - \$472,824) and current liabilities of \$1,414,159 (December 31, 2017 - \$2,711,234). Current working capital deficit of the Company as at September 30, 2018 is \$693,319 (December 31, 2017 - deficit of \$2,238,410). The Company' management is working to obtain financing to meet the business requirements for the coming year.

Credit risk

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

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

Market risk

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

Imex Systems Inc.

**Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited**

5. Financial instruments (continued)

Market risk (continued)

Currency risk

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

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

Interest rate risk

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

Other price risk

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

Sensitivity analysis

The Company is mainly exposed to foreign currency risk on fluctuations of financial instruments related to short-term loan of USD \$268,000. As at September 30, 2018, foreign currency risk on US dollars is not significant.

6. Funds held in trust

These represent funds held in trust by the legal counsel upon completion of the first and second tranche of the private placement offerings completed in July 2018.

7. Accounts receivable

The Company is exposed to credit risk on the trade receivables from its customers. As at September 30, 2018, 74% of the accounts receivable balance are less than 90 days past due.

8. Loan receivable from employees

The loan receivable from employees are unsecured, non-interest bearing, and have no set terms of repayment. There is no loan receivable balance as of September 30, 2018.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited

9. Property and equipment

Cost	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2016	\$ 335,120	\$ 81,592	\$ 180,136	\$ 596,848
Balance, December 31, 2017	335,120	81,592	180,136	596,848
Balance, September 30, 2018	335,120	81,592	180,136	596,848

Accumulated Depreciation	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2016	\$ 288,364	\$ 48,631	\$ 78,869	\$ 415,864
Depreciation for the year	28,053	6,592	18,014	52,659
Balance, December 31, 2017	316,417	55,223	96,883	468,523
Depreciation for the year	8,416	3,955	13,511	25,882
Balance, September 30, 2018	324,833	59,178	110,394	494,405

Carrying Value	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Balance, December 31, 2017	18,703	26,369	83,253	128,325
Balance, September 30, 2018	10,287	22,414	69,742	102,443

10. Bank indebtedness

A revolving demand facility has been authorized by the Royal Bank of Canada ("RBC") to a maximum of \$110,000 (December 31, 2017 - \$600,000) and the Company has provided cash collateral security in GIC investment deposited with the bank. The Company has provided a general security assignment over the assets of the company. At September 30 2018, the Company had drawn \$Nil (December 31, 2017 - \$235,731) from this facility, as well as \$Nil (December 31, 2017 - \$100,461) of overdrafts. The facility agreement requires the Company to maintain certain financial covenants. During the period ended June 30, 2018, the Company had breached the financial covenants and the Bank issued formal demands for payment of the indebtedness on June 22, 2018 and the Company thereafter repaid its debts to the Bank. The Bank has agreed to refrain from further enforcing the security during the Forbearance period commencing from July 27, 2018 to April 30, 2019, in accordance with the terms of the Forbearance agreement.

11. Accounts Payable and Accrued Liabilities

	As at September 30, 2018	As at December 31, 2017
Accounts payable and accruals	\$ 920,174	\$ 1,886,821
Payroll taxes payable	10,218	11,445
	\$ 930,392	\$ 1,898,266

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

12. Long-term debt	2018	2017
\$100,000 payable, interest at 8.80%, repayable in monthly instalments of \$2,232 on account of principal, plus interest, due August 31, 2018, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	\$ -	\$ 8,888
\$50,000 payable, interest at 8.80%, repayable in monthly instalments of \$853 on account of principal, plus interest, due November 30, 2019, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	12,415	15,827
\$75,000 payable, interest at 6.30%, repayable in monthly instalments of \$1,250 on account of principal, plus interest, due January 31, 2022, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	51,250	56,250
\$75,000 payable, interest at 6.30%, repayable in monthly instalments of \$1,250 on account of principal, plus interest, due August 31, 2022, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	60,000	65,000
\$50,000 payable, interest at 6.30%, repayable in monthly instalments of \$830 on account of principal, plus interest, due March 31, 2023, secured by a personal guarantee by the former Chief Executive Officer for the full amount of the loan.	45,650	48,970
	\$ 169,315	\$ 194,935
Less: current portion	\$ 49,343	\$ 42,352
	\$ 119,972	\$ 152,583

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

2019	\$ 49,343
2020	\$ 39,960
2021	\$ 39,960
2022	\$ 21,210
2023	\$ 18,842
	\$ 169,315

13. Short-term loan

During the year ended December 31, 2016, a shareholder controlled by the former Chief Executive Officer advanced \$336,206 (USD\$268,000) and \$50,000 to the Company. These amounts are unsecured, bear interest at 10% per annum and are due on demand. Included at September 30, 2018 is accrued interest of \$48,218. No interest was accrued for the three and nine months ended September 30, 2018.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

14. Capital stock

a) Authorized share capital

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

b) Issued

Common shares	Number	Amount
Balance, December 31, 2016 and September 30, 2017	17,754,301	\$ 6,489,127
Balance, December 31, 2017	17,754,301	\$ 6,489,127
Units issued (i) and (ii)	28,739,368	2,011,755
Fair value of warrants (i) and (ii)	-	(892,866)
Share issue costs (ii)	-	(39,100)
Balance, September 30, 2018	46,493,669	7,568,916

(i) On June 25, 2018, the Company closed the first tranche of a non-brokered private placement. The Company issued 19,220,212 Units at a price of \$0.07 per unit for total gross proceeds of \$1,345,415. Each Unit consisted of one common share and one common share purchase warrant, each whole warrant entitling the holder to subscribe for one common share at an exercise price of \$0.10 per share for a period of 24 months from the date of issuance of warrants.

The fair value of the 19,220,212 warrants was estimated at \$595,826 using the Black-Scholes option pricing formula with the following assumptions: exercise price - \$0.10, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 1.77% and an expected average life of 2 years.

(ii) On July 6, 2018, the Company closed the second tranche of a non-brokered private placement. The Company issued 9,337,156 Units at a price of \$0.07 per unit for total gross proceeds of \$653,600. Each Unit consisted of one common share and one common share purchase warrant, each whole warrant entitling the holder to subscribe for one common share at an exercise price of \$0.10 per share for a period of 24 months from the date of issuance of warrants.

The fair value of the 9,337,156 warrants was estimated at \$290,385 using the Black-Scholes option pricing formula with the following assumptions: exercise price - \$0.10, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 1.91% and an expected average life of 2 years.

Total finders' fees of \$26,360 in cash, total common shares of 182,000 shares valued at \$12,740 and total finders warrants of 214,000 warrants were incurred on the issuance. Each finders warrant exercisable into common shares of the Company for a period of 24 months at \$0.10 per share. The fair value of the finders warrants was estimated at \$6,655 using the Black-Scholes option pricing formula with the following assumptions: exercise price - \$0.10, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 1.91% and an expected average life of 2 years.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited

15. Finders' options

	Number of stock options	Weighted average exercise price
Balance, December 31, 2016 and September 30, 2017	213,257	\$ 1.00
Balance, December 31, 2017 and September 30, 2018	-	\$ -

16. Warrants

	Number of warrants	Amount
Balance, December 31, 2016 and September 30, 2017	1,823,264	\$ 498,358
Balance, December 31, 2017	1,823,264	\$ 498,358
Issued (note 14(i) and (ii))	28,771,368	892,866
Balance, September 30, 2018	30,594,632	1,391,224

The following table reflects the actual warrants issued and outstanding as of September 30, 2018:

Expiry date	Exercise Price (\$)	Number of warrants outstanding	Grant date fair value
December 31, 2018	1.50	1,823,264	498,358
June 25, 2020	0.10	19,220,212	595,826
July 5, 2020	0.10	9,551,156	297,040

17. Stock options

	Number of stock options	Weighted average exercise price
Balance, December 31, 2016	-	\$ -
Issued (i)	1,550,000	0.75
Cancelled (i)	(550,000)	(0.75)
Balance, September 30, 2017	1,000,000	\$ 0.75
Balance, December 31, 2017	1,000,000	\$ 0.75
Issued (ii)	1,200,000	0.18
Cancelled (ii)	(350,000)	(0.75)
Balance, September 30, 2018	1,850,000	0.38

Imex Systems Inc.

Notes to Condensed Interim Financial Statements Three and Nine Months Ended September 30, 2018 (Expressed in Canadian Dollars) Unaudited

17 Stock options (continued)

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

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

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

(ii) On July 19, 2018, the Company issued 1,200,000 stock options to the directors of the Company. The options are exercisable into common shares at a price of \$0.18 per share until July 19, 2023 and vested immediately.

The fair value of the 1,200,000 options was estimated at \$161,880 using the Black-Scholes option pricing formula with the following assumptions: exercise price - \$0.18, expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 2.02% and an expected average life of 5 years.

In accordance with the stock option plan, 350,000 stock options were cancelled due to the optionee ceasing to be management, director or consultant of the Company.

The following table reflects the actual stock options issued and outstanding as of September 30, 2018:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
December 29, 2019	0.75	1.25	650,000	650,000
July 19, 2023	0.18	4.80	1,200,000	1,200,000

18. Weighted average number of shares outstanding

For the three and nine months ended September 30, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$(353,027) and \$(582,715) respectively (three and nine months ended September 30, 2017 - \$(227,597) and \$(1,643,718), respectively) and the weighted average number of common shares outstanding of 40,005,315 and 27,608,014, respectively (three and nine months ended September 30, 2017 - 17,754,301 respectively), Diluted loss per share did not include the effect of stock options, finders' options and warrants as they are anti-dilutive.

19. 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.

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited

19. Related party transactions (continued)

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

During the three and nine months ended September 30, 2018, the company incurred \$7,500 and \$19,000, respectively (three and nine months ended September 30, 2017 - \$7,500 and \$22,500, respectively) for professional fees to the Chief Financial Officer. As at September 30, 2018, \$Nil (December 31, 2017 - \$23,011) was payable.

During the three and nine months ended September 30, 2018, the company incurred \$36,450 and \$90,450, respectively (three and nine months ended September 30, 2017 - \$45,000 and \$120,000, respectively) for professional fees to the Chief Executive Officer. As at September 30, 2018, \$Nil (December 31, 2017 - \$Nil) was payable.

During the three and nine months period ended September 30, 2018, the company incurred directors fees of \$8,500 and \$14,500 respectively (three and nine months period ended September 30, 2017 - \$Nil and \$2,000 respectively). As at September 30, 2018, \$Nil (December 31, 2017 - \$Nil) was payable.

See note 13.

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

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Salaries and fees	\$ 52,450	\$ 52,500	\$ 123,950	\$ 144,500
Share-based payments			161,880	466,750
	\$ 52,450	\$ 52,500	\$ 285,830	\$ 611,250

20. Segmented information

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

Geographic information

Three months ended September 30, 2018

	Canada	Africa/Asia	Total
Fee revenue	\$ 15,458	\$ -	\$ 15,458
Cost of Sales	9,528	-	9,528
Gross margin	5,930	-	5,930
Operating expenses	197,077	-	197,077
Loss before undernoted items	(191,147)	-	(191,147)
Loss before income taxes	(353,027)	-	(353,027)
Net loss	\$ (353,027)	\$ -	\$ (353,027)

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited

20. Segmented information (continued)

Three months ended September 30, 2017

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

Nine months ended September 30, 2018

	Canada	Africa/Asia	Total
Fee revenue	\$ 603,034	\$ -	\$ 603,034
Cost of Sales	362,370	-	362,370
Gross margin	240,664	-	240,664
Operating expenses	823,379	-	823,379
Loss before undernoted items	(582,715)	-	(582,715)
Loss before income taxes	(582,715)	-	(582,715)
Net loss	\$ (582,715)	\$ -	\$ (582,715)

Nine months ended September 30, 2017

	Canada	Africa/Asia	Total
Fee revenue	\$ 1,660,076	\$ -	\$ 1,660,076
Cost of Sales	1,373,785	4,080	1,377,865
Gross margin	286,291	(4,080)	282,211
Operating expenses	1,318,769	48,800	1,367,569
Loss before undernoted items	(1,032,478)	(52,880)	(1,085,358)
Other expenses (income)	540,520	(850)	539,670
Income (loss) before income taxes	(1,572,998)	(52,030)	(1,625,028)
Income tax recovery	(18,690)	-	(18,690)
Net income (loss)	\$ (1,591,688)	\$ (52,030)	\$ (1,643,718)

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

Major customers

During the nine months ended September 30, 2018, three customers accounted for 37%, 36% and 25% respectively of the Company's revenues (nine months ended September 30, 2017 four customers accounted for 35.0%, 19.1%, 18.3% and 17.4% respectively).

Imex Systems Inc.

Notes to Condensed Interim Financial Statements
Three and Nine Months Ended September 30, 2018
(Expressed in Canadian Dollars)
Unaudited

21. Commitments and contingencies

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

2018	\$	21,000
2019	\$	84,000
2020	\$	84,000
2021	\$	84,000
2022	\$	84,000
	\$	357,000

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

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

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

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

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

22. Operating expenses

General and administrative

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
General office	\$ 24,802	\$ 22,573	\$ 67,959	\$ 115,166
Professional fees	39,497	44,204	258,858	203,719
Telephone and communication	4,738	16,285	35,536	49,310
Insurance	13,242	17,547	34,136	45,424
Amortization of property, plant and equipment	8,628	13,164	25,882	39,494
Equipment and vehicle leasing	-	-	-	10
Bank charges	3,696	9,223	14,410	28,480
Interest on long-term debt	3,355	18,112	20,310	57,130
	\$ 97,958	\$ 141,108	\$ 457,091	\$ 538,733

Imex Systems Inc.**Notes to Condensed Interim Financial Statements****Three and Nine Months Ended September 30, 2018****(Expressed in Canadian Dollars)****Unaudited**

22. Operating expenses (continued)**Remuneration**

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Salaries and wages	\$ 33,264	\$ 143,757	\$ 41,535	\$ 646,166
Employee benefits	2,408	10,073	4,149	16,032
Recruitment	(22,210)	26,512	14,278	40,518
Directors fee and expenses	8,500	-	14,500	2,000
	\$ 21,962	\$ 180,342	\$ 74,462	\$ 704,716

Selling

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Travel and accommodation	\$ 782	\$ 1,558	\$ 2,769	\$ 6,340
Marketing	51,217	5,610	53,429	44,533
	\$ 51,999	\$ 7,168	\$ 56,198	\$ 50,873

Occupancy

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Repairs and maintenance	\$ 564	\$ 2,258	\$ 2,904	\$ 6,468
Rent and occupancy	24,594	20,281	70,844	66,779
	\$ 25,158	\$ 22,539	\$ 73,748	\$ 73,247