
Memex Inc.

Consolidated Financial Statements

For the years ended September 30, 2017 and 2016

MEMEX
Measuring Manufacturing Excellence™

MEMEX INC.

Consolidated Financial Statements
For the years ended September 30, 2017 and 2016

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Independent Auditors' Report

To the Shareholders of Memex Inc.:

We have audited the accompanying financial statements of Memex Inc., which comprise the consolidated statements of financial position as at September 30, 2017 and 2016, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Memex Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Mississauga, Ontario

January 11, 2018

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MEMEX INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars)

As at		September 30, 2017	September 30, 2016
ASSETS			
Current Assets			
Cash		\$ 3,457,557	\$ 2,898,994
Trade and other receivables	Note 4	448,783	1,105,584
Inventory	Note 5	155,206	144,293
Prepaid expenses		42,705	7,396
		<u>4,104,251</u>	<u>4,156,267</u>
Property and equipment	Note 6	124,434	130,465
Intangible assets	Note 7	293,544	352,759
		<u>\$ 4,522,229</u>	<u>\$ 4,639,491</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	Note 8	\$ 564,006	\$ 308,799
Unearned revenue		713,314	737,849
Current portion of long-term liabilities	Note 9	36,000	-
		<u>1,313,320</u>	<u>1,046,648</u>
Long-term Liabilities	Note 9 & 13	695,021	637,472
		<u>2,008,341</u>	<u>1,684,120</u>
SHAREHOLDERS' EQUITY			
Capital stock	Note 10	12,405,566	9,508,483
Warrants		684,598	651,802
Stock-based compensation reserve		368,980	271,159
Contributed surplus		1,288,035	773,208
Deficit		(12,233,291)	(8,249,281)
		<u>2,513,888</u>	<u>2,955,371</u>
		<u>\$ 4,522,229</u>	<u>\$ 4,639,491</u>

APPROVED BY THE BOARD:

(signed) "David McPhail"

Director

(signed) "Joe Brennan"

Director

MEMEX INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Canadian dollars)

For the years ended		September 30, 2017	September 30, 2016
Revenue	Note 18	\$ 2,007,781	\$ 2,910,198
Cost of sales	Note 17		
Materials, assembly, installation		347,538	432,729
Customer service		547,281	550,814
		894,819	983,543
Gross margin		1,112,962	1,926,655
Operating expenses	Note 13 & 17		
Development		958,491	1,193,339
Selling and marketing		2,608,192	2,364,705
Administration		1,451,395	1,271,636
Loss (Gain) on foreign exchange		65,345	37,546
		5,083,423	4,867,226
Loss from operations		(3,970,461)	(2,940,571)
Interest and accretion	Note 9	(47,988)	(79,630)
Discount on interest-free loan	Note 9	34,439	140,932
Gain on settlement with the BDC		-	73,829
		(3,984,010)	(2,805,440)
Net and comprehensive loss for the year		\$ (3,984,010)	\$ (2,805,440)
Basic and diluted loss per share	Note 16	\$ (0.034)	\$ (0.028)

The explanatory notes form an integral part of these consolidated financial statements.

MEMEX INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars)

For the years ended	September 30, 2017	September 30, 2016
CASH FLOWS FROM (USED FOR)		
Operating activities:		
Net and comprehensive loss for the year	\$ (3,984,010)	\$ (2,805,440)
Items not affecting cash from operations:		
Depreciation and amortization	96,516	97,360
BDC accrued bonus interest, royalty, fees	-	36,265
Gain on settlement of BDC loan	-	(73,829)
Present value discount of interest-free loan	(34,439)	(140,932)
Accretion of interest-free loan	47,988	33,903
Stock based compensation	185,008	132,808
	<u>(3,688,937)</u>	<u>(2,719,865)</u>
Changes in non-cash working capital balances	Note 19 841,251	(215,647)
	<u>(2,847,686)</u>	<u>(2,935,512)</u>
Investing activities:		
Additions to property, equipment, intangible assets	(31,270)	(54,436)
Financing activities:		
Increase of FedDev Ontario funding	80,000	345,688
Settlement/decrease of BDC loan	-	(342,857)
Net proceeds from issuance of shares and warrants	3,357,519	2,570,072
	<u>3,437,519</u>	<u>2,572,903</u>
Net increase (decrease) in cash and cash equivalents	558,563	(417,045)
Cash and cash equivalents, beginning of year	2,898,994	3,316,039
Cash and cash equivalents, end of year	<u>\$ 3,457,557</u>	<u>\$ 2,898,994</u>

MEMEX INC.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Canadian dollars)

	Share Capital		Warrants	Stock based compensation reserve	Contributed Surplus	Deficit	Total Shareholders' Equity/(Deficit)
	Number of Shares	Amount					
	Note 10						
Balance, October 1, 2015	98,059,655	\$ 6,130,481	\$ 1,521,140	\$ 257,117	\$ 593,034	\$ (5,443,841)	\$ 3,057,931
Issuance of options - Directors, employees, other	-	-	-	132,808	-	-	132,808
Options exercised during the year	1,366,600	251,679	-	(99,729)	-	-	151,950
Options expired during the year	-	-	-	(19,037)	19,037	-	-
Warrants exercised during the year	12,917,861	3,126,323	(708,201)	-	-	-	2,418,122
Warrants expired during the year	-	-	(161,137)	-	161,137	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(2,805,440)	(2,805,440)
Balance, September 30, 2016	112,344,116	\$ 9,508,483	\$ 651,802	\$ 271,159	\$ 773,208	\$ (8,249,281)	\$ 2,955,371
Balance, October 1, 2016	112,344,116	\$ 9,508,483	\$ 651,802	\$ 271,159	\$ 773,208	\$ (8,249,281)	\$ 2,955,371
Issuance of common shares and warrants	17,820,000	2,283,452	567,748	-	-	-	2,851,200
Share issuance costs	-	(365,190)	116,850	-	-	-	(248,340)
Issuance of options - Directors, employees, other	-	-	-	185,008	-	-	185,008
Options exercised during the year	484,672	132,354	-	(40,420)	-	-	91,934
Options expired during the year	-	-	-	(46,767)	46,767	-	-
Warrants exercised during the year	3,508,095	846,467	(183,742)	-	-	-	662,725
Warrants expired during the year	-	-	(468,060)	-	468,060	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(3,984,010)	(3,984,010)
Balance, September 30, 2017	134,156,883	\$ 12,405,566	\$ 684,598	\$ 368,980	\$ 1,288,035	\$ (12,233,291)	\$ 2,513,888

The explanatory notes form an integral part of these consolidated financial statements.

MEMEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(Canadian dollars)

1. Nature of business

Memex Inc. (the "Company") was incorporated under the Alberta Business Corporations Act ("ABCA") on July 15, 2011. On July 20, 2015, the Company changed its name from Astrix Networks Inc. to Memex Inc. ("Memex"). The Company is a reporting issuer in Ontario, British Columbia, Alberta and Saskatchewan.

The Company is technology based and operates from its rented facilities in Burlington, Ontario. It develops, commercializes and manufactures a suite of products for its customers in the discrete manufacturing and aerospace sectors worldwide. The Company's registered office is located at 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9 and its head office is located at 105-3425 Harvester Road, Burlington, Ontario L7N 3N1. The common shares (the "Common Shares" or "Shares") of the Company trade on the TSX Venture Exchange under the symbol "OEE".

These consolidated financial statements incorporate the results of Memex Inc. and all its subsidiary undertakings, made up to September 30, 2017, adjusted to eliminate intra-group balances, transactions, income and expenses. The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings, which are included from the date of acquisition.

These consolidated financial statements were approved and authorized for issue by management and the Board of Directors on **January 11, 2018**.

2. Summary of significant accounting policies, basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. The results have been prepared on the basis of all IFRS issued by the IASB currently effective.

The preparation of consolidated financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate or assumption is revised.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Canadian dollars.

(a) Property and equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Depreciation is recognized in net income or loss and is provided on a declining-balance basis over the estimated useful life of the assets as follows:

Furniture and equipment	20%
Computer hardware	30%

(b) Intangible assets

Intangible assets include computer software which is not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 5 years. The amortization expense is included within amortization operating expenses in the consolidated statement of operations and comprehensive loss.

Intangible assets also include development costs (net of research and development grants) that satisfy the criteria of IAS 38 for recognition as an intangible asset. Development costs are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. All intellectual property currently being utilized is considered to have a remaining useful life of ten years, and is being amortized over that time period on a straight-line basis.

MEMEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Canadian dollars)

(c) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

Property, equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – “CGUs”).

The recoverable amount of an asset or CGUs is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying value of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(d) Valuation of inventory

Inventory has been valued at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Cost for any work in progress includes the carrying value of all parts and components assembled. No allocation of direct or indirect labour or any non-assembly or manufacturing costs is made.

(e) Research and development grants

Research and development grants received during the product development stage have reduced the development cost intangible asset. Research and development grants received after the product development stage is complete are accrued and recognized as income in the year the related expenses are incurred.

(f) Foreign currency translation

The Company's presentation and functional currency is the Canadian dollar. Through its wholly owned US subsidiary, Astrix Networks America Inc., the Company does engage sales and marketing resources exclusively for the US market, with the associated costs being payable in US currency. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period end exchange rates are recognized in operations.

(g) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

MEMEX INC.
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(Canadian dollars)

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(h) Revenue recognition

The Company recognizes revenue at the time significant risks and rewards of ownership have been transferred to the customer or the services have been performed, the price is fixed or determinable, collectability is reasonably assured, and costs incurred or to be incurred can be measured reliably. Amounts invoiced to customers, primarily deposits, down payments, and charges for ongoing maintenance or support services, that do not meet the revenue recognition criteria are considered 'unearned' and are included with the Company's current liabilities for reporting purposes.

The following describes the specific revenue recognition criteria for each of the Company's specific elements of revenue:

(i) Software

Revenue from software is recognized once it is installed on customer equipment.

(ii) Support

Revenue from support is recognized when the service is provided. In instances where the Company bills the customer prior to performing the support service, the prebilling is recorded as unearned revenue. Support revenue also includes the recognition of previously deferred revenue related to multi-element arrangements for first year support and software upgrade rights.

(iii) Hardware and installation

Revenue from the sale of hardware products including installation is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Hardware is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. For most of the Company's hardware sales, these criteria are met at the time the product is shipped. Installation revenue is recognized once installation work is complete.

(iv) Multiple-element arrangements

The Company enters into revenue arrangements that may consist of multiple deliverables of its hardware, software and support offerings. For the Company's arrangements involving multiple deliverables the consideration from the arrangement is allocated to each respective element based on its fair value.

(i) Financial instruments

The carrying values of cash, trade and other receivables, and accounts payable and accrued liabilities are considered representative of their respective fair values due to their short-term period to maturity. The fair value of due to related parties is not determinable as there is no comparable market data.

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

(i) Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transactions costs. After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification

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(Canadian dollars)

of all held-to-maturity investments as fair value through profit and loss, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Financial assets at fair value through profit or loss

The Company has classified its cash at fair value through profit and loss. A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(iii) Loans and receivables

The Company has classified its trade and other receivables as loans and receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and other receivables, such provisions are recorded in a separate allowance account with the loss being recognized in net income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(iv) Other financial liabilities

Other financial liabilities include all financial liabilities and comprise accounts payable, current and long-term portion of BDC term loan, IBI term loan and payable to shareholders. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(j) Sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant accounts that require estimates are as follows:

(i) Impairment of long-lived assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.

(ii) Useful lives of depreciable assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

(iii) Inventories

The Company estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

(iv) Allowance for doubtful accounts receivable

The Company provides for bad debts on a specific identification basis. Uncertainty relates to the actual collectivity

MEMEX INC.
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(Canadian dollars)

of customer balances that can vary from the Company's estimation.

(k) Standards, amendments and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

(i) IFRS 9 - Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI).

(ii) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 is effective for periods beginning on or after January 1, 2018. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning October 1, 2018, and may consider earlier adoption. The extent of the impact of adoption of IFRS 15 has not yet been determined.

(iii) IFRS 16 - Leases

IFRS 16 – Leases sets out a new model for lease accounting, replacing IAS 17. “Leases” and related interpretations. Under this new standard which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the consolidated statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15.

3. Investments - Shares in subsidiary undertakings

The Company owns all of the outstanding shares of Memex Automation Inc., Astrix Productivity Solutions Inc., Astrimex Management Inc., Astriconcept Properties Inc., Astrimex Manufacturing Inc., Memast Holding Inc. and Astrix Networks America Inc. (cost \$10), whose results have been consolidated in these financial statements.

4. Trade and other receivables

	September 30, 2017	September 30, 2016
Current	\$ 238,541	\$ 383,391
Over 30 days	19,582	129,376
Over 60 days	29,609	85,065
Over 90 days	233,005	546,930
Less: specific allowance	(79,793)	(79,719)
	<u>440,944</u>	<u>1,065,043</u>
Other receivables	7,839	40,541
	<u>\$ 448,783</u>	<u>\$ 1,105,584</u>

MEMEX INC.
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(Canadian dollars)

5. Inventory

	September 30, 2017	September 30, 2016
Finished goods and component parts	\$ 143,099	\$ 115,028
Work-in-process	19,262	35,127
Less: provision for slow moving and obsolete	(7,155)	(5,862)
	<u>\$ 155,206</u>	<u>\$ 144,293</u>

There is no material difference between the replacement cost of inventories and the amounts stated above.

6. Property and equipment

	Furniture and Equipment	Computer Hardware	Total
Cost			
Balance at October 1, 2015	\$ 129,818	\$ 109,243	\$ 239,061
Additions	1,109	29,657	30,766
Balance at September 30, 2016	\$ 130,927	\$ 138,900	\$ 269,827
Additions	4,307	26,963	31,270
Balance at September 30, 2017	<u>\$ 135,234</u>	<u>\$ 165,863</u>	<u>\$ 301,097</u>
Accumulated depreciation			
Balance at October 1, 2015	\$ 52,147	\$ 49,069	\$ 101,216
Depreciation expense	15,645	22,501	38,146
Balance September 30, 2016	\$ 67,792	\$ 71,570	\$ 139,362
Depreciation expense	13,057	24,244	37,301
Balance at September 30, 2017	<u>\$ 80,849</u>	<u>\$ 95,814</u>	<u>\$ 176,663</u>
Carrying amounts			
As at September 30, 2016	<u>\$ 63,135</u>	<u>\$ 67,330</u>	<u>\$ 130,465</u>
As at September 30, 2017	<u>\$ 54,385</u>	<u>\$ 70,049</u>	<u>\$ 124,434</u>

7. Intangible assets

	Computer Software	Development Costs	Total
Cost			
Balance at October 1, 2015	\$ 69,955	\$ 520,471	\$ 590,426
Additions	23,670	-	23,670
Balance at September 30, 2016	\$ 93,625	\$ 520,471	\$ 614,096
Additions	-	-	-
Balance at September 30, 2017	<u>\$ 93,625</u>	<u>\$ 520,471</u>	<u>\$ 614,096</u>
Accumulated amortization			
Balance at October 1, 2015	\$ 46,062	\$ 156,061	\$ 202,123
Amortization expense	18,724	40,490	59,214
Balance September 30, 2016	\$ 64,786	\$ 196,551	\$ 261,337
Amortization expense	18,725	40,490	59,215
Balance at September 30, 2017	<u>\$ 83,511</u>	<u>\$ 237,041</u>	<u>\$ 320,552</u>
Carrying amounts			
As at September 30, 2016	<u>\$ 28,839</u>	<u>\$ 323,920</u>	<u>\$ 352,759</u>
As at September 30, 2017	<u>\$ 10,114</u>	<u>\$ 283,430</u>	<u>\$ 293,544</u>

8. Accounts payable and accrued liabilities

	September 30, 2017	September 30, 2016
Trade payables	\$ 487,736	\$ 244,979
Government remittances	76,270	63,820
	<u>\$ 564,006</u>	<u>\$ 308,799</u>

MEMEX INC.
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9. Long-term liabilities

	September 30, 2017	September 30, 2016
IBI term loan (net of present value discount) (a)	\$ 556,708	\$ 499,159
Payable to Company Officers (b)	138,313	138,313
	<u>\$ 695,021</u>	<u>\$ 637,472</u>

(a) IBI term loan

	September 30, 2017	September 30, 2016
Total funds advanced and repayable	\$ 800,000	\$ 720,000
Less: Present value discount	207,292	220,841
	<u>\$ 592,708</u>	<u>\$ 499,159</u>
Less: Current portion	36,000	-
	<u>\$ 556,708</u>	<u>\$ 499,159</u>

Finalized March 19, 2015, the Company qualified for \$800,000 in Government of Canada funding in the form of non-interest bearing, fixed repayment-term advances, through FedDev Ontario's Investing in Business Innovation ("IBI") initiative. The Company received these advances between October 2014 and December 2016, including the final \$80,000 in December 2016.

The loan is valued at the present value of anticipated future repayments of the funds advanced, at each reporting date using a discount rate of 9%, which represents the estimated borrowing rate to the Company for a similar loan and anticipated repayment terms.

Repayment of all advances received commenced October 2017.

(b) Payable to company officers

	September 30, 2017	September 30, 2016
Remuneration to Company Officers	<u>\$ 138,313</u>	<u>\$ 138,313</u>

Two Company Officers agreed to restrictions over unpaid remuneration from prior years, such that the funds for repayment would be derived from Company profits. The Company Officers also agreed to postpone settlement of amounts due in favour of FedDev Ontario as a condition of the Company's participation in IBI funding.

(c) Current portion of long-term liabilities

Approximate principal repayments are as follows:

Year	\$
2018	36,000
2019	96,000
2020	168,000
2021	168,000
2022	168,000
After 2022	164,000

10. Share capital and reserves

(a) Authorized share capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares.

(b) Common Shares issued and outstanding

As at:	September 30, 2017		September 30, 2016	
	Number	Amount	Number	Amount
Outstanding, beginning of year	112,344,116	\$ 9,508,483	98,059,655	\$ 6,130,481
Issued during the year	21,812,767	2,897,083	14,284,461	3,378,002
Outstanding, end of year	<u>134,156,883</u>	<u>\$ 12,405,566</u>	<u>112,344,116</u>	<u>\$ 9,508,483</u>

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(c) Preferred shares issued and outstanding

The Company has never issued preferred shares.

(d) Capital transactions

(i) For the year ended September 30, 2017

September 26, 2017

On September 26, 2017, the Company finalized a brokered private placement in which the Company sold 17,820,000 Units at a price of \$0.16 per Unit for gross proceeds of \$2,851,200. Each Unit was comprised of one Common Share and one half Warrant (a “half Warrant”). Each whole Warrant entitles the holder to purchase one Common Share at a price of \$0.25 per share at any time within two years from the date of issue of the Warrant. However, in the event that the closing trading price of the Company's Common Shares remains greater than \$0.35 per Share for 20 consecutive trading days at any time after issue, the Company can accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants would expire 30 days after the notice is given. The proceeds were allocated \$2,283,452 to the Common Shares and \$567,748 to the Warrants.

Agents for the private placement received total commissions of \$145,680, as well as 881,250 Compensation Warrants with an exercise price of \$0.16 valued at \$116,850 (Black-Scholes: expected life of two years, risk free rate of 1.59%, expected dividend yield of 0% and expected volatility of 100). The Company also paid legal, exchange and other fees of \$102,660, which when added to the brokerage costs amounted to total share issuance costs of \$365,190. The Company generated net cash proceeds of \$2,602,860.

Exercised warrants and options

A total of 3,508,095 Warrants were redeemed and 484,672 stock-based compensation options (“Stock Options” or “Options”) were exercised for total cash proceeds of \$754,659.

(ii) For the year ended September 30, 2016

Exercised warrants and options

A total of 12,917,861 Warrants were redeemed and 1,366,600 stock-based compensation options (“Stock Options” or “Options”) were exercised for total proceeds of \$2,570,072.

(e) Warrants transactions

(i) For the year ended September 30, 2017

September 26, 2017

In connection with the September 26, 2017 private placement the Company issued 8,910,000 Warrants as part of the sale of Units, with each Warrant having an exercise price of \$0.25, and the total value of Warrants issued determined to be \$567,748 by prorating the Unit sale proceeds into the fair value of the shares and value of the Warrants (Black-Scholes: expected life of two years, risk free rate of 1.59%, expected dividend yield of 0% and expected volatility of 100%). Also in connection with this private placement the Company issued 881,250 Broker Warrant to the agents for the placement with an exercise price of \$0.16 per share valued at \$116,850 (Black-Scholes: expected life of two years, risk free rate of 1.59%, expected dividend yield of 0% and expected volatility of 100%).

Redeemed, issued and expired warrants

A total of 3,508,095 Warrants were redeemed for cash proceeds of \$662,725.

In Q1 through Q3 of fiscal 2017 a total of 625,251 Warrants, with a redemption price of \$0.25 and an expiry of June 2, 2017 were issued in connection with the June 2015 private placement in which the Company issued 1,822,560 Unit Warrants to the agents for that placement. For every two \$0.15 Warrants redeemed from this initial issued each agent was issued one \$0.25 Warrant. These Warrants were valued at \$33,702 (Black-Scholes: expected life to June 2, 2017, average risk-free rate of 0.67%, expected dividend yield of 0% and expected volatility of 100%).

On June 2, 2017, a total of 8,389,974 Warrants with a carrying value of \$468,060 expired.

(ii) For the year ended September 30, 2016

Redeemed, issued and expired warrants

A total of 12,917,861 Warrants were redeemed for proceeds of \$2,418,122.

In August and September 2016, a total of 186,944 Warrants having an exercise price of \$0.25 and an expiry of June 2, 2017 were issued in connection with the June 2015 private placement.

MEMEX INC.
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The following table reflects the Warrants issued and outstanding as at September 30, 2017:

Grant Date	Expiry Date	Exercise Price	Number of Warrants Outstanding
September 26, 2017	September 26, 2019	\$0.25	8,910,000
September 26, 2017	September 26, 2019	\$0.16	881,250
			<u>9,791,250</u>

(f) Stock-based compensation reserve

(i) For the year ended September 30, 2017

1. Options issued to Employees

By unanimous resolution on January 5, 2017, the Board of Directors approved the issuance of a total of 724,000 stock-based compensation Options, exercisable at \$0.25 per option and valued at \$144,800 (Black-Scholes: expected life of two to five years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 50,000 of the options vesting immediately upon issue and expiring January 5, 2019, 337,000 of the Options vesting on January 5, 2019 and expiring January 5, 2022, and the final 337,000 Options vesting January 5, 2020 and expiring January 5, 2022. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting period(s). A total of \$52,824 was expensed during the year. As of September 30, 2017 none of the Options had been exercised, and 78,600 Options had expired (terminations).

2. Other stock-based compensation awards

On January 7, 2017, the Company confirmed the second year of Sophic Capital Inc.'s ("Sophic") agreement. Sophic, an investor relations firm, was originally engaged January 2016 to assist in the marketing and promotion of the Company. As part of the renewed agreement, on January 7, 2017, the Company issued Sophic a total of 250,000 Options to purchase Common Shares of the Company at \$0.275 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2017 and finishing January 2018. These Options were valued at \$42,500 (Black-Scholes: expected life of three years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 7, 2020. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of \$35,593 was expensed during the year. On September 30, 2017, 125,000 of these Options were exercisable.

By unanimous resolution, on April 23, 2017, the Company issued employment consultants for the Company a total of 350,000 Options to purchase Common Shares of the Company at \$0.195 per share, with 100,000 of the Options vesting immediately and 50,000 additional options vesting with each successful employee hire (to a maximum of 350,000 Options total). Whether vested or not, these Options will expire the earlier of three years from the date of issue or upon termination of the arrangement with the employment consultant. These Options were valued at \$42,200 (Black-Scholes: expected life of three years, risk free rate of 0.81%, expected dividend yield of 0% and expected volatility of 100%). The value of these Options is recorded as administrative expenses over the vesting period(s). A total of \$16,730 was expensed during the year. On September 30, 2017, 100,000 of these Options were exercisable.

3. Options issued to Senior Management

By unanimous resolution, on September 17, 2017, the Board of Directors approved the issuance of a total of 1,250,000 Options, exercisable at \$0.18 per Option and valued at \$168,000 (Black-Scholes: expected life of five years, risk free rate of 1.56%, expected dividend yield of 0% and expected volatility of 100%). These Options were issued to each of five Senior Management (250,000 to each) on that date. Half (625,000) of these Options vest two years from issue and the remaining half vest three years from the date of issue, with all Options expiring five years from the issue date or ninety days after the employer-employee relationship is severed with cause. The value of these Options is included in administration expenses over their vesting period(s). A total of \$15,795 was expensed year ended September 30, 2017. None of these Options are currently exercisable.

(ii) For the year ended September 30, 2016

1. Options issued to Employees

At its regularly scheduled meeting on December 15, 2015, the Board of Directors approved the issuance of a total of 186,000 stock-based compensation Options, exercisable at \$0.12 per option and valued at \$13,800 (Black-

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Scholes: expected life of three years, risk free rate of 0.55%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company. Half (93,000) of these Options vest on December 15, 2016 and the remaining half vest on December 15, 2017. All Options expire three years from the issue date or ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting period(s). A total of \$3,448 was expensed during the year (\$10,352 was expensed during the year ended September 30, 2016).

By unanimous resolution on June 27, 2016, the Board of Directors approved the issuance of a total of 600,000 stock-based compensation Options, exercisable at \$0.135 per option and valued at \$60,100 (Black-Scholes: expected life of five years, risk free rate of 0.70%, expected dividend yield of 0% and expected volatility of 100%) were issued to non-management employees of the Company. Half (300,000) of these Options vest on June 27, 2018 and the remaining half vest on June 27, 2019. All Options expire five years from the issue date or ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in administrative expenses over their vesting period(s). A total of \$16,932 was expensed during the year (\$9,877 was expensed during the year ended September 30, 2016). A total of 150,000 options expired during the year (employee resignation).

2. Other stock-based compensation awards

On January 1, 2016, the Company engaged Sophic Capital Inc., an investor relations firm, to assist in the marketing and promotion of the Company. As part of the agreement the Company issued to them a total of 250,000 Options to purchase Common Shares of the Company at \$0.18 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2016 and finishing January 2017. These Options were valued at \$19,800 (Black-Scholes: expected life of three years and three months, risk free rate of 0.43%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 1, 2019. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of \$3,216 was expensed during the year (\$16,584 was expensed during the year ended September 30, 2016). On September 30, 2017, these Options were exercisable.

3. Options issued to Directors

By unanimous resolution on February 26, 2016 of the Board of Directors approved the issuance of a total of 480,000 Options, exercisable at \$0.14 per option, valued at \$49,800 (Black-Scholes: expected life of five years, risk free rate of 0.67%, expected dividend yield of 0% and expected volatility of 100%) to four non-Executive Officer Directors (120,000 to each Director) on that date. These Options vest and expire as follows: one-third (40,000 per Director) vested on the date of issue, one-third will vest February 26, 2017 and the final third will vest February 26, 2018; all Directors Options currently outstanding will expire on February 26, 2021. The value of these Options is included in administration expenses over their vesting period(s). A total of \$11,522 was expensed during the year (\$34,586 was expensed in the year ended September 30, 2016). On September 30, 2017, a total of 160,000 of these Options were exercisable.

The following table reflects the stock-based compensation Options issued and outstanding as at September 30, 2017:

Grant Date	Expiry Date	Exercise Price (\$)	Options Outstanding
January 22, 2014	January 22, 2019	0.14	360,990
August 26, 2014	January 22, 2019	0.125	120,330
February 23, 2015	February 23, 2020	0.15	1,000,000
December 15, 2015	December 15, 2018	0.12	186,000
January 1, 2016	January 1, 2019	0.18	250,000
February 26, 2016	February 26, 2021	0.14	480,000
June 27, 2016	June 27, 2021	0.135	450,000
January 5, 2017	January 5, 2019	0.25	47,000
January 5, 2017	January 5, 2022	0.25	598,400
January 7, 2017	January 7, 2020	0.275	250,000
April 23, 2017	April 23, 2020	0.195	350,000
September 17, 2017	September 17, 2022	0.18	1,250,000
			5,342,720

During the current year, a total of 484,672 Options were exercised for total proceeds of \$91,934 (a total of 1,366,600 Options were exercised for total proceeds of \$151,950 during the fiscal year ended September 30, 2016). A total of 751,475 Options expired during the year (fiscal 2016 - 205,980 expired).

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11. Contractual obligations

In March 2015, the Company committed to rent its office space under a lease expiring on March 31, 2018. Future minimum lease payments up to March 31, 2017 are \$46,578. These amounts do not include the cost of utilities which are adjusted based upon actual usage.

On January 1, 2016, the Company engaged Sophic Capital Inc., an investor relations firm, for up to twenty-four-months to assist in the marketing and promotion of the Company for a monthly fee of \$6,000 as well as a total of 250,000 Options to purchase Common Shares issued in January 2016 and another 250,000 Option issued in January 2017.

On September 1, 2017 the Company agreed to lease office space from Children's Financial Group Inc. for a term of seven years commencing April 1, 2018. Future minimum lease payments are summarized below (these amounts do not include the cost of utilities which are based upon actual usage):

Year	\$
2018	12,298
2019	53,019
2020	68,800
2021	81,700
2022	84,388
After 2022	262,838

12. Financial instruments

The Company is exposed to various types of risks due to the nature of the business it carries on, including those related to the use of financial instruments.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable. The Company's approach to managing liquidity risk is to ensure that it has sufficient cash and other current financial assets to meet its obligations when due. Management forecasts cash flows to identify financing requirements.

(b) 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 risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. As of September 30, 2017, \$233,005 of accounts receivable were greater than 90 days (September 30, 2016 - \$546,930).

(c) 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 risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk and interest rate risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended September 30, 2017, 95.6% of the Company's sales were in US dollars (2016 - 95.9%). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As of September 30, 2017, cash and cash equivalents, trade receivables and accounts payable of \$545,078, \$410,361 and \$29,431 respectively (\$213,403, \$864,949 and \$34,300 respectively at September 30, 2016) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.25 (1.31 at September 30, 2016). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive loss by approximately \$46,000.

(ii) 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 fixed and floating interest rate financial instruments. Given the current composition of long-term debt, fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to a cash flow risk. A one-percent (1%) increase or decrease in interest rates would not have a material effect on the Company's operating results.

MEMEX INC.
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(iii) 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 significant other price risk.

13. Related party transactions and balances

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

For the years ended September 30	2017	2016
Salaries, benefits and directors' fees	\$ 879,803	\$ 1,127,118

Amounts owing to key management personnel included in long-term liabilities at September 30, 2017 totaled \$ 138,313, unchanged from September 30, 2016. There were no amounts receivable from any key management, Company Officers, Directors or other related parties on these dates.

For the year ended September 30, 2017 the non-Executive Officer Directors received \$16,000 (\$1,000 per Director per quarter) for their services to the Company. In addition, \$11,522 relating to stock-based compensation was recognized for the year (for year ended September 30, 2016 - \$18,000 plus \$39,339 stock-based compensation).

A Partner at Shea Nerland LLP ("SNLLP") manages corporate legal matters on behalf of the Company and is also a member of the Company's Board of Directors. For the year ended September 30, 2017 the Company has incurred a total of \$91,734 (year ended September 30, 2016 - \$31,885) in legal fees from SNLLP.

For the year ended September 30, 2017 the Company paid \$17,482 (2016 - \$95,242) to Gladstone's Inc. for the creation and production of sales and marketing materials, as well as for other general marketing products and services. Gladstone's Inc. is owned by the spouse of the President, C.E.O. and Chairman of the Board.

14. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support customer and product development including the development of its intangible assets. The capital of the Company consists of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended September 30, 2017 or the year ended September 30, 2016.

15. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately \$12,300,000, (as of September 30, 2016 - \$8,300,000) of which \$10,700,000 (as of September 30, 2016 - \$8,000,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2038, and most of the remaining differences may be carried forward indefinitely.

16. Earnings per share and dividends per share

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended September 30, 2017 were based on a net and comprehensive losses of \$3,984,010 (2016 - \$2,805,440), and a weighted average number of Shares outstanding for the year of 115,810,778 (2016 - 101,176,903).

(b) Dividends

There were no dividends declared or paid by the Company in the year ended September 30, 2017 or the year ended September 30, 2016. After the respective reporting dates, there have been no dividends proposed by the directors.

MEMEX INC.
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17. Analysis of expenses by nature

The following illustrates the break-down of expenses by nature incurred:

(a) Cost of sales

For years ended September 30

	2017	2016
Materials	\$ 224,165	\$ 213,892
Direct labour	512,870	572,812
Other direct costs	117,294	156,350
Amortization	40,490	40,489
	<u>\$ 894,819</u>	<u>\$ 983,543</u>

(b) Operating expenses

For the years ended September 30

	2017	2016
Labour and benefits	\$ 2,976,957	\$ 3,113,308
Advertising and marketing	554,410	386,761
Office and other miscellaneous	294,433	220,349
Bad debts	51,836	67,386
Insurance	33,162	33,418
Professional fees	107,505	84,004
Occupancy	162,843	166,566
Communications and support	122,015	108,111
Depreciation and amortization	56,026	56,871
Travel	428,586	397,397
Stock-based compensation	185,008	132,808
Development costs	45,297	62,701
Net loss on foreign exchange	65,345	37,546
	<u>\$ 5,083,423</u>	<u>\$ 4,867,226</u>

18. Segmented information

The Company is organized and managed as a single reportable operating segment. Hardware, software, installation and support revenue from continuing operations for the year, classified by major geographical segments in which the Company's customers are located was as follows:

For the years ended September 30

	2017		2016	
	%	Revenue	%	Revenue
Canada	4.4	\$ 89,115	4.1	\$ 118,774
United States	90.4	1,814,973	87.4	2,543,520
Other	5.1	103,693	8.5	247,904
		<u>\$ 2,007,781</u>		<u>\$ 2,910,198</u>

19. Additional cash flows information

Changes in non-cash working capital items consist of:

For the years ended September 30

	2017	2016
Trade and other receivables	\$ 656,801	\$ (352,428)
Inventory	(10,913)	(17,753)
Prepaid expenses	(35,309)	1,792
Accounts payable and accrued liabilities	255,207	(3,170)
Unearned revenue	(24,535)	155,912
	<u>\$ 841,251</u>	<u>\$ (215,647)</u>

Memex Inc.

Management's Discussion and Analysis

For the years ended September 30, 2017 and 2016

MEMEX
Measuring Manufacturing Excellence™

This Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") of Memex Inc. ("Memex" or the "Company") should be read in conjunction with the condensed interim consolidated financial statements of the Company and the related notes for the fiscal years ended September 30, 2017 and 2016. The MD&A is prepared as at **January 11, 2018** and is current to that date unless otherwise stated. The consolidated financial statements and extracts of those financial statements provided within this MD&A, except as otherwise stated ('Other Financial Measures') have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

This MD&A may contain certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue," "plans" or similar terminology. Forward looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors. While Memex anticipates that subsequent events and developments may cause its views to change, the Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents Management's best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

OVERVIEW OF MEMEX

Memex, with its head office in Burlington, Ontario is a corporation continued under the Alberta Business Corporations Act ("ABCA"). On July 20, 2015, the Company changed its name from Astrix Networks Inc. to Memex Inc. The Company is a reporting issuer in Ontario, British Columbia, Alberta and Saskatchewan.

Memex is an Industrial Internet of Things (IIoT) leader. Its flagship product MERLIN is a software-driven IIoT communications platform that provides manufacturing analytics in real time.

MERLIN's customers are generally focused in the discrete manufacturing and aerospace sectors. In addition to the Company's direct sales force it is also growing a worldwide group of resellers, system integrators and Original Equipment Manufacturers ("OEM's") to expand its global sales footprint.

MERLIN delivers manufacturing productivity metrics including Overall Equipment Effectiveness ("OEE") in real time, from the shop-floor-to-top-floor. Specifically, MERLIN delivers a 10%-50% average productivity increase, and earns 20%-plus profit improvement based on just a 10% increase in OEE. It consistently achieves payback in less than four months with an Internal Rate of Return ("IRR") greater than 300%, and connects to any machine, old or new, utilizing native MTConnect or hardware adapters for older machines.

HIGHLIGHTS FOR THE YEAR

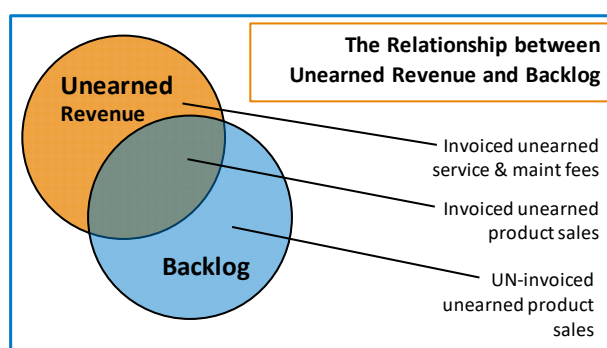
- Memex generated \$2.37 million in bookings for fiscal 2017, down \$1.04 million from the \$3.42 recorded in fiscal 2016. The Company's backlog at the close of business on September 30, 2017 was \$1.31 million, up \$464 thousand from the \$848 thousand at the same point the year prior;
- The Company generated more than \$2.85 million in (gross) proceeds through the sale of 17.8 million Units (a share and half warrant) of Company securities on September 26, 2017;
- In Q3 the Company secured its largest ever single-customer project, SEW Eurodrive, worth more than \$450 thousand dollars for a plant-wide MERLIN implementation; and
- The Company restructured its sales management and delivery procedures during the year, including the hire of a VP of Sales and the adoption of Salesforce to better mine Memex's existing U.S. Pipeline, develop new markets and growth opportunities and to better monitor the Company's sales development activities.

OTHER FINANCIAL MEASURES

Management is using product ‘bookings’ and ‘backlog’ as key performance indicators (“KPI’s”) in assessing the overall performance of the Company. Neither bookings, nor backlog, have any standardized meaning under International Financial Reporting Standards (“IFRS”) and therefore may not be comparable to similar measures presented by other issuers.

Due to the nature of the Company’s business and most of its product offerings, IFRS only allows for the recognition of revenue from most of Memex’s sales and delivery efforts once all elements of that sale have been completed. This is regardless of the timing of the effort or the expense laid out by the Company to deliver these orders (IFRS does not provide a ‘percentage of completion’ alternative for revenue recognition similar to other industries).

A combination of the required revenue recognition policies and varying customer implementation time-lines can create inconsistent fluctuations in revenue from period to period such that Management needed to consider other factors in measuring and monitoring growth success beyond recognized revenue. Although Management views significant fluctuations in revenue as a key performance indicator for the Company, when considered in combination with fluctuations in bookings and backlog it gives a more complete understanding of the Company’s overall performance.



Unearned revenue, reported with current liabilities in the Company’s statement of financial position, consists of invoiced unearned maintenance and service fees plus all invoiced and unearned product orders (i.e. deposits, progress billings). **Backlog is** the total of all unearned product orders, *both invoiced and un-invoiced*, that the Company has on hand at any given time. A comparative illustration of unearned revenue and backlog is provided.

Management considers **bookings** to be the total dollar value of new product orders plus any service and maintenance fees generated in a given period. Bookings are the combination of revenue plus current backlog less any backlog that was on-hand at the beginning of the measurement period, adjusted for any changes in unearned service and maintenance fees.

$$\text{Bookings} = \text{Revenue} + \text{Ending backlog} - \text{Beginning backlog} + \text{or} - \text{Change in unearned service \& maintenance fees}$$

OVERALL PERFORMANCE

The Company showed a \$3.98 million net and comprehensive loss for the year ended September 30, 2017 on \$2.01 million in revenue equating to a \$0.034 loss per share. This compares with a \$2.81 million net and comprehensive loss on \$2.91 million in total revenue for the year ended September 30, 2016, and a \$0.028 loss per share;

Bookings for the year totalled \$2.37 million versus \$3.42 million a year ago;

Backlog at September 30, 2017 was \$1.31 million, up \$464 thousand from \$848 thousand a year ago;

Gross margin percentage for the year ended September 30, 2017 of 55.4% is down from the 66.2% experienced last year;

Cash consumed from operating activities (before changes in working capital balances) was \$3.69 million for the year was up \$969 thousand from \$2.72 million a year ago; and

The Company had \$2.79 million in working capital including \$3.46 million in cash at September 30, 2017, as compared with \$3.11 million in working capital and \$2.90 million in cash at September 30, 2016.

SELECTED ANNUAL INFORMATION

For the years ended September 30 (Canadian dollars - in thousands except per share performance)	2017	2016	% change
Revenues	2,008	2,910	↓ 31%
Gross margin	1,113	1,927	↓ 42%
Operating expenses			
Development	958	1,193	↓ 20%
Selling and marketing	2,608	2,365	↑ 10%
Administration	1,451	1,272	↑ 14%
Loss from operations	(3,970)	(2,941)	↑ 35%
Net and comprehensive loss for the period	(3,984)	(2,805)	↑ 42%
Basic and diluted loss per share	(0.034)	(0.028)	↑ 24%
Weighted average shares outstanding	115,811	101,177	↑ 14%
Actual shares outstanding	134,157	112,344	↑ 19%

RESULTS OF OPERATIONS

Revenues and Bookings

The pipeline for future business remains robust, although current year bookings of \$2.37 million were just over a million lower than 2016.

Revenue for the year of \$2.01 million was a \$902 thousand, or 31% decrease from \$2.91 million in 2016.

With the Company relying quite heavily on U.S. customer development, F2017 started quite slowly with clients sitting on the side-lines due to uncertainties introduced during the 2016 U.S. election that impacted much of the discretionary spending within the U.S. manufacturing sector. Customers held back waiting to see how their newly elected president would affect our business sector and international trade.

Beyond the election, there are encouraging signs that the United States (where Memex generates most of its revenue), recognizes the need to invest in manufacturing technology. In May, Senator. Christopher Coons (D-Del.) said, "If we're going to have a shot at being truly competitive in this next century, we need to further up our game... We need to recognize that China's already committed to 40 manufacturing innovation centers, to investing \$2 billion in their advanced manufacturing network. We need to see that, raise it, and meet it."¹

Manufacturers are becoming increasingly optimistic. A National Association of Manufacturers surveyed members and found over 94% have a positive outlook for their companies and expect December capital investment growth to increase 3.4% over the September quarter.² In the same survey, almost 63% of respondents are more likely to increase capital spending if comprehensive business tax reform is enacted.

Bookings for the year ended September 30 (In thousands of Canadian dollars)	2017	2016	% change
Revenue for the period	2,008	2,897	↓ 31%
+ Backlog - end of period	1,311	848	↑ 55%
- Backlog - beginning of period	(848)	(409)	
+ or - change in unearned service & maint fees	(101)	80	
Bookings for the period	2,370	3,416	↓ 31%

¹ Alliance for American Manufacturing Nov 1, 2017 – "Can American Manufacturing Innovation Keep up" by Cathalijne Adams

² National Association of Manufacturers - Manufacturers' Outlook Survey Fourth Quarter 2017 – December 11, 2017

Gross Margin and Cost of Sales

Gross margin for 2017 of \$1.11 million is down \$814 thousand, or 48% from fiscal 2016. Calculated as a percentage of revenue, gross margin dropped from 66.2% in 2016 to 55.4% in 2017. The decline in margin percentage has more to do with the relatively fixed client services labour costs independent of sales volume. The cost of Client Services labour declined only 4.3% from 2016 to 2017 versus a sales decline of 31%.

Material cost of sales did increase from 7.4% in 2016 to 11.1% in 2017, indicating slightly more hardware sold in fiscal 2017 over 2016; there was virtually no change in hardware product cost from the prior year.

Operating Expenses

Operating expenses for fiscal 2017 of \$5.08 million were \$216 thousand higher than the same period in fiscal 2016.

The spending level continues to be viewed by Management as an investment in future sales development as well as the infrastructure to support that additional volume. Spending remains within Management's expectations.

Development

Development spending for 2017 was down 20%, or \$235 thousand to \$958 thousand. Labour costs were with fewer senior resources from the same period in the prior year. Other development costs were down \$10 thousand.

Selling and marketing

Selling and marketing expenses for the year were \$243 thousand, or 10% higher than fiscal 2016. Advertising and marketing spending was responsible for \$166 thousand, or almost 70% of the spending increase for the year. At the beginning of 2017 the Company implemented its plans to participate in more than fifty thought leadership presentations throughout the calendar year that encompassed tradeshow, and both digital and print media. The objective is to continue a leadership market presence and to generate high quality leads.

Labour and travel expenses collectively were \$55 thousand or only 3% higher in the current year over the 2016. Stock based compensation added \$39 thousand in non-cash expenses in 2017 versus on \$17 thousand in 2016 an increase of \$22 thousand.

Administration

Administrative expenses for the year ended September 30, 2017 were up 14%, or \$179 thousand from a year ago. Employment costs and administrative labour accounted for \$55 thousand of the increased spend, and \$93 thousand spent in recruitment fees being the other significant influence. Non-cash stock-based compensation expenses of \$146 thousand was also \$30 thousand higher than the \$116 thousand laid out in 2016.

Administrative costs remain within Management's expectations.

Loss from operations

The Company's loss from operations for the year of \$3.97 million, was 35% higher than the \$2.94 million loss of a year ago.

Other transactions effecting net and comprehensive loss

The present value adjustments relating to the IBI term loan offset by the interest accretion netted a \$14 thousand charge to overall results for the quarter, with a \$61 thousand net pick up booked a year ago. These adjustments are the result of the zero-interest-rate funding received through FedDev in the reporting periods, which must be present value adjusted based upon the Company's effective borrowing rate (9% was used because it was the BDC loan rate and the only reasonably comparable rate available).

The prior fiscal year also showed a \$74 thousand pick-up on the early retirement of borrowings from the BDC.

Earnings per share

The basic and diluted loss per share of \$0.034 for current year-to-date was based on a weighted average 134.1 million Common Shares outstanding (2016 – \$0.028 basic and diluted loss per share based on a weighted average 112.3 million Shares outstanding).

SUMMARY OF THE LAST EIGHT QUARTERS RESULTS

(In thousands except per share amounts)	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017
Revenue	614	571	919	806	505	348	529	626
Gross margin	375	305	666	580	287	112	299	416
Gross margin percentage	61.1%	53.4%	72.5%	71.9%	56.7%	32.2%	56.5%	66.4%
Operating expenses	1,046	1,338	1,188	1,296	1,073	1,362	1,364	1,284
Net and comprehensive loss	(641)	(991)	(521)	(726)	(763)	(1,263)	(1,078)	(881)
Basic and diluted loss per share	(0.007)	(0.010)	(0.005)	(0.007)	(0.007)	(0.011)	(0.009)	(0.008)
Weighted average shares o/s-period	98,219	99,345	100,859	106,291	113,785	116,029	116,314	117,120
Shares outstanding-period end	98,279	100,463	102,003	112,344	115,304	116,207	116,337	134,157

LIQUIDITY

Working Capital

As at September 30, 2017 the Company had working capital of \$2.79 million, including \$3.46 million in cash, as compared with \$3.11 million in working capital and \$2.9 million in cash at September 30, 2016.

The Company received \$3.36 million from the issuance of shares during the current year (2016 - \$2.57 million). Net proceeds after the Company's September 2016 private share placement were \$2.60 million, with the balance of proceeds in the current year, as well as all proceeds receive in the prior year coming from the exercise of stock options and the redemption of warrants.

The Company invested \$31 thousand in capital equipment in the current quarter (2016 - \$54 thousand).

The Company anticipates that the continued development of its core product and sales infrastructure will be funded through a combination of current working capital and, if necessary, the capital markets, until positive cash flows are generated from operations, although there is no assurance that the sources of funding may be available or be sufficient to meet the Company's objectives.

As at	September 30, 2017	September 30, 2016	% change
(Canadian dollars - in thousands except working capital ratio)			
Current assets	4,104	4,156	↓ 1%
Total assets	4,522	4,639	↓ 3%
Current liabilities	1,313	1,047	↑ 25%
Long-term liabilities	695	637	↑ 9%
Working capital*	2,791	3,109	↓ 10%
Working capital ratio**	3.13 to 1	3.97 to 1	

*Working capital = current assets less current liabilities

**Working capital ratio = current assets / current liabilities

Liquidity risk

The Company has financial resources secured to meet its current obligations, as well as fund its continuing product development plan, and maintain its sales, marketing and customer support resources. Ongoing liquidity beyond the next phase of product development is anticipated to be generated from operations although there is no assurance that sufficient funds may be generated to meet the Company's objectives.

Foreign exchange risk

The Company's reporting currency is the Canadian dollar. With the exception of its sales force, its operations are in Canada, and most expenses incurred continue to be denominated in Canadian dollars. The Company's customer base continues to expand throughout North America and other parts of the world, and Memex currently generates the majority of its revenue outside Canada. All quotes to non-Canadian Customers are prepared in US dollars. The Company includes the right to adjust quoted prices for significant fluctuations between the quoted currency and the Canadian dollar, providing Management the opportunity to significantly reduce the foreign currency exchange risk.

Each non-Canadian dollar quote issued is reviewed for foreign currency risk potential prior to issue. The Company has not undertaken any foreign exchange contracts to manage any exposures, but may do so in the future.

At September 30, 2017, the Company employed or otherwise contracted eight full-time US residents. All other utilized labour is Canadian. Also at September 30, 2017 the company possessed \$926 thousand (net) in US denominated assets.

Credit risk

The Company, in the normal course of business, monitors the financial condition and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers and economic circumstances.

Cash and cash equivalents

Operating activities

Net cash consumed through operating activities for the year ended September 30, 2017 of \$2.85 million is down \$88 thousand from fiscal 2016. Management continues to monitor the monthly cash consumption to ensure capital continues to be available to fund ongoing activities.

Investing activities

The Company spent a total of \$31 thousand on capital additions during the period, down \$23 thousand from the same period a year ago.

Financing activities

The Company generated \$3.36 million through a September 2017 private placement and the exercise of stock options and redemption of warrants. The Company also received a total of \$80 thousand in long-term financing from FedDev Ontario.

Below is a summary of the cash flows provided by (used in) operating, financing and investing activities:

For the years ended September 30 (Canadian dollars - in thousands)	2017	2016	% change
Net Cash flows generated (used) in operating activities	(2,848)	(2,936)	↓ 3%
Net Cash flows provided through (used) in investing activities	(31)	(54)	↓ 43%
Net Cash flows provided by financing activities	3,438	2,573	↑ 34%
Cash, beginning	2,899	3,316	↓ 13%
Cash, end	3,458	2,899	↑ 19%

Contractual obligations

The Company is engaged in operating leases for its premises in Burlington, Ontario. Remaining contractual obligations for this lease (excluding utilities and common area allocation) amount to \$47 thousand over the next six months. The lease expires March 2018.

On January 7, 2017, the Company confirmed investor relations firm, Sophic Capital Inc.'s continued engagement, until December 2017 to assist in the marketing and promotion of the Company for a monthly fee of \$6 thousand as well as 250 thousand options to purchase Common Shares at \$0.275 per share. One quarter of these options vested in each of April 2017, July 2017 and October 2017, with the final quarter vesting January 2018. This agreement is cancellable by either party after thirty-days written notice. Sophic's 250 thousand options in January 2017 were in addition to the 250 thousand options they received when they were initially engaged in January 2016.

In September 2017 the Company agreed to lease office space from Children's Financial Group Inc. for a term of seven years commencing April 1, 2018. Future minimum lease payments for the next five years are 2018 - \$12 thousand, 2019 - \$53 thousand, 2020 - \$69 thousand, 2021 - \$82 thousand, 2022 - \$84 thousand (these amounts do not include the cost of utilities which are based upon actual usage).

CAPITAL RESOURCES

The Company is using its capital to finance current operations as well as its product development and growth strategies. Memex capital consists primarily of equity, although it has term-debt through the FedDev Ontario ("IBI") which required repayments to commence October 2017. Management believes the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage operating, product development and growth strategies

Operating and other bank credit facilities

Through the Royal Bank of Canada, the Company has a \$100 thousand credit facility. This facility is being used through the issue of credit cards to Company employees. The Company has no other operating line or credit facility.

Outstanding share and other issued securities information

The following table shows the number of securities the Company has outstanding as at **January 11, 2018**:

Security	Thousands of Issued and Outstanding
Common Shares	134,157
Options to purchase common shares by current and former directors and officers ¹	3,211
Options to purchase common shares by non-officer employees and contractors ¹	1,631
Options to purchase common shares by investor relations firms ¹	500
Warrants to purchase common shares by current and former directors and officers ²	266
Warrants to purchase common shares by investors ²	8,644
Agent's compensation Warrants to purchase common shares ²	881

1. Each Option entitles its holder to purchase one common share of the Company.

2. Each Warrant entitles its holder to purchase one common share of the Company.

Transactions with Related Parties

Related parties include key management personnel, significant shareholders of the Company (those holding greater than 10% of the total outstanding shares), close family members and enterprises that are controlled by these individuals, as well as the Board of Directors of the Company. As at **January 11, 2018** only Company CEO and President, David McPhail (12.7%) owns (through an entity he controls) more than 10% of the total outstanding shares of the Company.

As at September 30, 2017, the balance of loans and advances to the Company from key management personnel totalled \$138 thousand. An enterprise controlled by Company CEO and President, Dave McPhail is owed \$87 thousand for unpaid management fees between July 2010 and June 2011, and an enterprise controlled by VP of Marketing and Customer Development, John Rattray, is owed \$51 thousand for unpaid management fees between July 2009 and April 2010.

The Company has engaged Shea Nerland LLP ("SNLLP") to manage its corporate legal matters. Joe Brennan is both a Partner at SNLLP and a member of the Company's Board of Directors. For the year ended September 30, 2017 the Company had incurred \$92 thousand in legal fees from SNLLP (2016 - \$32 thousand).

Including quarterly Director's fees of one thousand dollars per (non-Executive Officer) Director and the expensed value of non-vested stock options (Black-Scholes), Company Director's compensation totalled \$28 thousand for the period (2016 - \$57 thousand).

The Company has engaged Gladstone's Inc. ("Gladstone's") to assist in the creation and production of sales and marketing materials, as well as provide general marketing services. Dave McPhail, President, C.E.O., and Chairman of the Board of the Company, is related (spouse) to the sole-shareholder of Gladstone's. The Company paid Gladstone's \$17 thousand during the current year (2016 - \$95 thousand) in fees.

FOURTH QUARTER RESULTS

For the three months ended September 30 (Canadian dollars - in thousands except per share performance)	2017	2016	% change	
Revenues	626	806	↓	22%
Gross margin	416	580	↓	28%
Operating expenses				
Development	222	300	↓	26%
Selling and marketing	696	677	↑	3%
Administration	323	344	↓	6%
Loss from operations	(868)	(716)	↑	21%
Net and comprehensive loss for the period	(881)	(726)	↑	21%
Basic and diluted loss per share	(0.008)	(0.007)	↑	15%

Revenues and Bookings

Revenues for the fourth quarter ended September 30, 2017 were \$626 thousand, down 22% from the same quarter a year ago. Sales volume is however up 18% (\$97 thousand) from Q3, and management sees this as an indicator that the cloud of economic uncertainty in the U.S. manufacturing sector is fading.

Bookings for the three month periods ended September 30 (In thousands of Canadian dollars)	2017	2016	% change
Revenue for the Quarter	626	793	↓ 21%
+ Backlog - end of period	1,311	848	↑ 55%
- Backlog - beginning of period	(1,567)	(782)	
+ or - change in unearned service & maint fees	(6)	(48)	
Bookings for the Quarter	364	811	↓ 55%

The fourth quarter generated \$364 thousand (net) in bookings, down \$47 thousand, or 55% from the same period a year ago. In Q4FY2017 the Company confirmed that the balance of a customer order valued at \$129 thousand was cancelled subsequent to the customer being acquired by a European organization. The Company's gross bookings for the quarter were \$493 thousand before this setback.

Gross Margin and Cost of Sales

Gross margin for the three months ended September 30, 2017 of \$416 thousand is down \$164 thousand from the same quarter a year ago. Calculated as a percentage of revenue, the current quarter's 66.5% gross margin is down 72.0% from the same quarter a year ago. The dollar and percentage margin decreases reflect the decrease in total sales volume, with client services costs not being directly co-related to sales, a reduction in sales volume skews the margin percentage down.

Development

Development costs were down 26% or \$78 thousand to \$222 thousand from the same quarter last year. Labour and associated travel costs were down \$69 thousand from a year ago, with travel and other development cost reductions accounting for the difference.

Selling and marketing

Selling and marketing expenses for the quarter were \$19 thousand higher than the same period a year ago, totalling \$696 thousand. Labour spending was up marginally (\$12 thousand, there was one more staff member in the current year quarter, over a year ago) and travel spending was up by \$41 thousand reflecting the volume increase in sales and marketing travel in the latest completed quarter.

Advertising and marketing spending was down \$39 thousand in Q4 over the prior fiscal year quarter, which is a direct reflection of the Q4FY2016 costs incurred to attend the IMTS tradeshow.

Administration

Administrative expenses for the quarter were down 6%, or \$21 thousand when compared with the same period a year ago.

Administrative costs remain within Management's expectations.

Loss from operations

The Company's loss from operations for the current quarter of \$868 thousand was \$152 thousand, higher than the loss of the same period year ago.

Earnings per share

The basic and diluted loss per share of \$0.008 for the fourth quarter of 2017 was based on a weighted average 117.12 million Common Shares outstanding (Q4-2016 – \$0.007 basic and diluted loss per share based on a weighted average 106.29 million Common Shares outstanding).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are, and will continue to be, evaluated on an ongoing basis. However, actual results could differ significantly from these estimates.

The most significant economic conditions effecting Company estimates would relate to Canada's ongoing business relationship with the United States. During the current and prior reporting periods management did not feel that changes in those or any other

economic conditions relevant to the Company's operations (primarily fluctuations in the Canadian and U.S. currency trading rates) have influenced the methods or assumptions used to determine its critical accounting estimates.

Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the Company's financial statements. It is believed that there have been no significant changes in the critical accounting estimates for the periods presented in the financial statements.

Revenue recognition

The Company recognizes revenue at the time significant risks and rewards of ownership have been transferred to the customer or the services have been performed, the price is fixed or determinable, collectability is reasonably assured, and costs incurred or to be incurred can be measured reliably. Amounts invoiced to customers (primarily deposits, down payments and charges for ongoing maintenance or support services) that do not meet the revenue recognition criteria are considered 'unearned' and included with the Company's current liabilities for reporting purposes.

In addition to this general policy, the following describe the specific revenue recognition policies for each of the Company's specific elements of revenue.

(a) **Software**

Revenue from software is recognized once it is installed on customer equipment.

(b) **Support**

Revenue from support is recognized on a monthly basis when the service is provided. In instances where the Company invoices the customer prior to performing the support service, the prebilling is recorded as unearned revenue. Support revenue also includes the recognition of previously unearned revenue related to multi-element arrangements for first year support and software upgrade rights.

(c) **Hardware and installation**

Revenue from the sale of hardware products including installation is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Hardware is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. For most of the Company's hardware sales, these criteria are met at the time the product is shipped. Installation revenue is recognized once installation work is complete.

(d) **Multiple-element arrangements**

The Company enters into revenue arrangements that may consist of multiple deliverables of its hardware, software and support offerings. For the Company's arrangements involving multiple deliverables the consideration from the arrangement is allocated to each respective element based on its fair value. Revenue is recognized only once all of the elements of the multiple-element arrangement have been delivered.

Financial Instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired, or liability incurred. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

(a) **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as fair value through profit and loss, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

(b) **Financial assets at fair value through profit or loss**

The Company has classified its cash and cash held in trust at fair value through profit and loss. A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(c) **Loans and receivables**

The Company has classified its trade and other receivables as loan and receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and other receivables, such provisions are recorded in a separate allowance account with the loss being recognized in net income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(d) Other financial liabilities

Other financial liabilities include all financial liabilities and comprise accounts payable, payable to related parties, current and long-term portion of BDC term loan, payable to shareholders. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Asset impairment**(a) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

Property, equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – "CGUs").

The recoverable amount of an asset or CGUs is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying value of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Research and development expense

All expenses related to development activities which do not meet generally accepted criteria for deferral, and research activities are expensed as incurred.

Development costs of new software for sale, net of investment tax credits, are capitalized as deferred development costs if they meet the accepted criteria for deferral. These costs are then amortized over the estimated product life based upon the number of units sold in each period and the total anticipated unit sales.

Investment tax credits

Up until October 29, 2013 (the Transaction date) the Company was entitled to government assistance in the form of refundable scientific research and experimental development ("SR&ED") tax credits and grants. These credits were disclosed separately from the related expenses, however, were netted against the cost of any asset required. From October 29, 2013 forward, the Company's entitlement to government assistance for SR&ED is limited to tax credits against future taxes payable. (These tax credits would represent "future tax assets", and are currently only recognized in the period in which they are recovered).

Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Income taxes

Income taxes are accounted for using the asset and liability method. This creates deferred income tax assets and liabilities which can be affected by changes in income tax rates and the assumption of the income rates that are most likely to apply when the deferred income tax asset or liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change. As appropriate, a valuation allowance is recognized to decrease the value of the tax assets to an amount that is more likely than not to be realized. In estimating the realization of deferred income tax assets, management considers whether a portion or all deferred tax assets are more likely or not to be realized. Realization is subject to future taxable income.

RISKS AND UNCERTAINTIES TO THE COMPANY

There are several inherent risks associated with the business of the Company. The following are certain risk factors related to the business being carried on which should be carefully considered. It is believed that these are factors that could cause actual results

to be different from expected and historical results, but the risks presented below may not be all of the risks that the Company may face. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Other sections of this MD&A include additional factors that could have an effect on the business and financial performance of the business of the Company.

The markets in which the Company currently competes are very competitive and change rapidly. Therefore, new risks may emerge, and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

Effects on Revenue of Customer speculation or knowledge of future product or feature releases

As the Company continues to develop, improve, upgrade and otherwise alter its product offerings, it may periodically provide advanced timing and availability information to its customers and prospects, or they may speculate as to future products availability and timing. Management believes that customer and prospect speculation or knowledge of upcoming product and feature releases, including timing, has, and may continue to, cause fluctuations in revenues. The willingness of customers and prospects to purchase currently available products (even with the right to upgrade to the newest product releases once they become available) may or may not be influenced by new product development, and, there is no guarantee that customers or prospects will ever make a purchase from Memex.

Effects of US Government policies on trade relations between Canada and the US

The United States has been, and is anticipated to continue be the primary market for the Company for the foreseeable future. In fiscal 2017, 90.4% of sales were to US customers (2016 - 87.4%, 2015 - 63.9%).

The US Government has continued interest in renegotiating and altering the North American Free Trade Agreement (“NAFTA”) with Canada. NAFTA provides the Company access to its US Customers and protection against tariffs, duties and other charges or fees that could jeopardize the Company’s ability to remain competitive when compared to US-based suppliers of similar products. It is uncertain whether the US Government may successfully change or alter the terms of the NAFTA, and what effects those changes may have on the Company’s ability to access prospective US Customers.

Further, unlegislated proposals from the current US Government administration have contemplated prohibitive actions against foreign business trying to compete in the US economy. It is uncertain whether the US Government will proceed with any proposed or contemplated actions, or the effects those actions may have on the Company’s ability to access prospective US Customers.

History of Losses and the Inability to Achieve or Sustain Profitability

The Company showed a profit for the year ended September 30, 2011 followed by net losses for the years ended September 30, 2012 through 2017. There is no certainty that the Company will become profitable in the short term or if it will continue to incur net losses through 2018 and beyond.

Further, the Company expects to incur significant future expenses including product development and sales and marketing costs, which will most likely be in advance of sales generated by those efforts. If the Company is unable to convert its development costs into revenue it may be difficult to achieve and maintain profitability. Beyond this, the Company may incur significant losses in the future for a number of reasons including other risks described in this document, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, the Company may not be able to achieve or maintain profitability.

IIoT Software is a Relatively New Market

The Company derives, and it is expected that the Company will continue to derive, substantially all of its revenue from selling its flagship product MERLIN, a software-driven IIoT communications platform that provides manufacturing analytics in real time. This is a relatively new and rapidly evolving market, where over 90% of manufacturing companies have still to adopt manufacturing analytics software. If the market for MERLIN fails to grow or grows more slowly than the Company currently anticipates, the Company’s business would be negatively affected. The Company has targeted expansion into markets it believes are most likely to adopt MERLIN. However, the Company’s efforts to expand within and beyond the current markets may not be achieved at the rate of adoption the Company anticipates.

No Assurance that Cash flow from Operations, Debt or Equity Financing will be Available

The Company anticipates making substantial capital and operating expenditures in the future as it continues to implement its growth strategy. Future capital and operating expenditures of the Company may be financed out of cash generated from operations and possible future debt or equity financings. However, the ability to finance such expenditures out of cash generated from operations will depend on the financial performance of the Company. And the ability of the Company to finance such expenditures from possible future debt or equity financings will be dependent on, among other factors, the overall state of capital markets, the financial condition of the Company and investor demand for investments in the technology sector and the Company’s securities in particular. To the extent that either internal or external sources of capital become limited or unavailable, or only available on onerous terms, the Company’s ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Retention of Key Personnel

The Company’s performance is substantially dependent on the performance of its executive officers and key employees. The loss

of the services of any of the Company's executive officers or other key employees could significantly harm its business. Other than as required to satisfy lending requirements the Company does not expect to maintain "key person" life insurance policies on any of its employees. Memex does not currently have a formal succession program or management training program in place for succession or training of management.

Competition

The Company is engaged in an industry that is highly competitive, is evolving and is characterized by technological change. As a result, it is difficult for it to predict whether, when and by whom new competing technologies or new competitors may enter the market. Some of these current and potential competitors are much larger than the Company with access to significant resources it cannot currently match. The Company cannot assure that it will be able to compete effectively against current and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations.

Protection of Intellectual Property

The Company's commercial success depends to a significant degree upon its ability to continue to develop and improve its core product software, MERLIN, and to maintain the associated hardware technologies and products that support this software. Despite its efforts to protect and maintain security around the Company's Intellectual Property ("IP"), competitors and other third parties may be able to design around or develop products similar to those of Memex.

A number of the Company's competitors and other third parties have been issued patents, or may have filed patent applications, or may obtain additional patents or other IP rights for technologies similar to those that the Company has developed, or may develop, use or commercialize, in the future. As certain patent applications in the United States and other countries are maintained in secrecy for a period of time after filing, and as publication or public awareness of new technologies often lags behind actual discoveries, the Company cannot be certain that it has been the first to develop the technology. Further, prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources.

In addition, while the Company generally enters into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, distributors and dealers and with others to attempt to limit access to and distribution of its proprietary and confidential information, it is possible that:

- misappropriation of its proprietary and confidential information, including technology, will nevertheless occur;
- its confidentiality agreements will not be honored or may be rendered unenforceable;
- third parties will independently develop equivalent, superior or competitive technology or products;
- disputes will arise with its current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registerability of IP; or
- unauthorized disclosure of its know-how, trade secrets or other proprietary or confidential information will occur.

The Company cannot assure that it will be successful in protecting, maintaining or enforcing its IP rights. If it is not successful in protecting, maintaining or enforcing its IP rights, then the Company's business, operating results and financial condition could be materially adversely affected.

Intellectual Property of Others

The Company's commercial success depends, in part, upon it not infringing or violating IP rights owned by others. The industry in which the Company competes has many participants that own, or claim to own, IP. The Company cannot determine with certainty whether any existing third-party patents, or the issuance of any new third-party patents, would require it to alter its technologies or products, obtain licenses or cease certain activities, including the sale of its core product.

The Company may in the future receive claims from third parties asserting infringement and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third-party IP rights or to protect, maintain and enforce the Company's IP rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than it has, and these competitors may be able to sustain the costs of complex IP litigation to a greater degree and for longer periods of time than the Company can. Regardless of whether claims that it is infringing or violating patents or other IP rights have any merit, those claims could adversely affect the Company's relationships with current or future distributors and dealers of its products, adversely affect its reputation with customers, be time-consuming and expensive to evaluate and defend, cause product shipment delays or stoppages, divert management's attention and resources, subject the Company to significant liabilities and damages, require it to enter into royalty or licensing agreements or require it to cease certain activities, including the sale of products.

If it is determined that the Company has infringed, violated or is infringing or violating a patent or the IP right of any other person or if it is found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, the Company may be prohibited from developing, using, distributing, selling or commercializing certain of its technologies or applications unless it obtains a license from the holder of the patent or other IP right. The Company cannot assure that it will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost-efficient. If it does not obtain such a license or find a cost-efficient workaround, the Company's business, operating results and financial condition could be materially adversely affected and it could be required to

cease related business operations in some markets and restructure its business to focus on its continuing operations in other markets.

Information Technology Systems and Security

The Company utilizes many information technology systems for the management of its business. The reliability and security of these systems is critical. If the functionality of these systems is interrupted or fails and cannot be restored quickly, or if the technologies are no longer supported, the Company's ability to conduct its business could be compromised. Further, although the technology systems the Company utilizes are intended to be secure, there is a risk that an unauthorized third party could access the systems. Such a security breach could lead to adverse consequences, including but not limited to, the unavailability, disruption or loss of key functionalities within the Company's control systems and the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. The Company attempts to prevent such breaches through the implementation of various technology security measures, engaging skilled consultants and employees to manage the Company's technology applications and improve policies and procedures. There is no guarantee that these measures will be effective.

Failure to Manage Growth

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly expand its internal, operational and financial controls significantly so that it can maintain control over operations, attract and retain qualified technical personnel in order to continue to develop its core product ensuring that it continues to respond to evolving customer needs, build a sales team to keep customers and channel partners informed regarding the technical features issues and key selling points of its products and services, develop support capacity for customers as sales increase, and build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

Litigation

Although there are currently no legal proceedings outstanding or, to the best of the knowledge of the Company, contemplated against it, the Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Sales Forecasting

The Company's revenues are difficult to forecast and, as a result, its quarterly operating results can fluctuate substantially. The Company has developed a pipeline approach to anticipate when revenue will occur but these estimates can be significantly impacted by the sales process, economic conditions in general or specific in the Company's target markets, and the order cycle of its customers.

Foreign Exchange

The presentation currency of the Company is the Canadian dollar. As the Company does business in foreign markets, including the United States of America, it is likely that some transactions will take place in foreign currencies. At this point the Company does not participate in hedging activities. Although it cannot predict the effect of possible foreign exchange losses in the future, if they occurred, then they could have a material adverse effect on the Company's business, results of operation, and financial condition. In addition, fluctuations in exchange rates could affect the pricing of its products and negatively influence customer demand.

RISKS RELATED TO AN INVESTMENT IN COMMON SHARES OF THE COMPANY

Concentration of Voting Power

Many common shares of the Company are concentrated in the hands of the Company's Senior Management team and its Board of Directors, whose collective holdings currently total 24.3%. As a result, these shareholders may have a significant influence over any matters requiring shareholder approval, including the election of directors and significant corporate transactions such as a business combination, takeover proposal or other sale of the Company or its assets, for the foreseeable future.

In particular, because under the Alberta Business Corporations Act most amalgamations and certain business combination transactions, including a sale of all or substantially of the assets of the Company, would require approval by a majority of not less than two-thirds of the votes cast by the shareholders, and because the Senior Management team and its Board of Directors collectively own roughly one-quarter of the issued and outstanding common shares of the Company, collectively they would have significant influence over the outcome of such transactions. The concentration of voting power limits the ability to influence corporate matters and, as a result, the Company may take actions that some shareholders do not view as beneficial, including rejecting takeover proposals at a premium to the then-prevailing market price of the common shares of the Company. As a result, the market price of these common shares could be adversely affected.

Similarly, the combined shareholdings of a few shareholders, who are the former shareholders of the private company, Astrix Networks Inc. that was acquired by the Company in 2013 may also hold sufficient common shares to have a significant influence over such transactions. The former shareholders of Astrix Networks Inc. include DPA Automation Inc. (12.7%), a company

controlled by the Company President and C.E.O., David McPhail, and Softservices Sales Inc. (5.8%), a company controlled by Company VP of Marketing, John Rattray.

Dilution and Future Sales of Common Shares

The Company may issue additional common shares in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine if an issuance of common shares is warranted, the price at which such issuance is affected and the other terms of issue of common shares. Also, additional common shares of the Company may be issued by the Company upon the exercise of options to acquire common shares under the Company's Stock Option Plan or Warrants to purchase common shares which are currently outstanding, which will result in further dilution to the shareholders of the Company.

Unpredictability and Volatility of the Common Share Price

There can be no assurance that a significant public market for the common shares of the Company will develop or be sustained. The current trading price of the common shares of the Company or the price at which the common shares have been issued in connection with the private placements may not be indicative of the market price of the common shares of the Company in the future. If an active public market for the common shares of the Company does not develop or is not maintained, the liquidity of an investment in such common shares may be limited, the market price could be subject to significant fluctuations and the price per share may decline below the deemed price of the common shares of the Company exchanged in connection with the Qualifying Transaction.

The market price of the common shares of the Company could also fluctuate significantly as a result of many factors, including but not limited to the following: economic and stock market conditions generally, and specifically as they may impact participants in the software development industry; the Company's earnings and results of operations and other developments affecting the Company's business; sales of common shares of the Company into the market by the shareholders and/or the insiders of the Company; changes in financial estimates and recommendations by securities analysts following the common shares of the Company; earnings and other announcements by, and changes in market evaluations of, the software development industry; changes in business or regulatory conditions affecting participants in the software development industry; trading volume in the common shares of the Company; additions or departures of key personnel; and competitive pricing pressures in the software development industry.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the common shares of the Company may decline even if the Company's operating results or prospects have not changed.

Dividends

If the Company generates earnings in the foreseeable future, it expects that such earnings will be retained to finance growth, both organically and by acquisitions, if any, and, when appropriate, repay debt. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. Each of the common shares of the Company entitles its holder to an equal share in any dividend declared and paid by the Company. The Company does not expect to pay any dividends in the foreseeable future. Investors seeking cash dividends should not purchase common shares of the Company.

Financial Market Turmoil

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

Economic Downturn in the Global Economy

At times when there is a downturn in the global economy, the Company and its industry peers may have restricted access to capital and may suffer from increased borrowing costs. The lending capacity of all financial institutions may be diminished, and risk premiums may increase. As the ability of the Company to meet future capital requirements may depend upon its ability to borrow money from third parties or make additional offerings of securities in the future, the ability of the Company to do so may be limited by, among other factors, the overall state of capital markets and investor demand for investments in the technology industry, more precisely in the software development industry and the Company's securities in particular.

To the extent that external sources of capital become limited or unavailable or only available on onerous terms, the ability of the Company to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result. Failure to obtain any financing necessary for the growth plans of the Company may result in a delay in carrying out its business strategy.

Economic conditions and other factors may also reduce the demand for software products or services from that forecasted and factors expected to support or increase demand may not have the effect expected. Any reduction in demand may have a material adverse effect on the financial results or condition of the Company.