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**Memex Inc.**

**Consolidated Financial Statements**

**For the years ended September 30, 2022 and 2021**

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# MEMEX INC.

## Consolidated Financial Statements For the years ended September 30, 2022 and 2021

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Memex Inc.

### **Opinion**

We have audited the consolidated financial statements of Memex Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of cash flows, and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS")

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit and a working capital deficiency as of September 30, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
January 17, 2023

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

As at September 30	2022	2021
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash	\$ 290,310	\$ 708,807
Trade and other receivables	Notes 4 & 16 107,298	249,735
Inventory	Note 5 160,449	141,889
Prepaid expenses	28,050	39,061
	586,107	1,139,492
<i>Equipment</i>	Note 6 40,615	54,032
<i>Intangible assets</i>	Note 7 80,979	121,469
<i>Right-of-use asset</i>	Note 8 186,212	253,928
	\$ 893,913	\$ 1,568,921
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	Note 9 \$ 200,074	\$ 169,152
Unearned revenue	Note 10 855,566	874,592
Current portion of long-term and lease liabilities	Note 11 & 12 463,001	260,990
	1,518,641	1,304,734
<i>Long-term liabilities</i>	Notes 11 & 16 519,188	952,250
<i>Lease liability</i>	Note 12 164,115	247,917
	2,201,944	2,504,901
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital	Note 13 12,475,558	12,475,558
Warrants	16,235	16,235
Stock-based compensation reserve	144,691	307,899
Contributed surplus	2,634,624	2,406,240
Deficit	(16,579,139)	(16,141,912)
	(1,308,031)	(935,980)
	\$ 893,913	\$ 1,568,921

Nature of business and going concern [Note 1](#)

Contractual obligations [Note 14](#)

**APPROVED BY THE BOARD:**

(signed) "David McPhail"

Director

(signed) "Joe Brennan"

Director

**MEMEX INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**

(Canadian dollars)

For the years ended September 30	2022	2021
<i>Revenue</i>	Note 20 \$ 2,140,916	\$ 3,040,339
<i>Cost of sales</i>	Note 21	
Materials, assembly, installation	228,286	202,502
Customer service	308,381	392,735
	536,667	595,237
<i>Gross margin</i>	1,604,249	2,445,102
<i>Operating expenses</i>	Notes 13, 16 & 21	
Development	423,806	500,702
Selling and marketing	679,792	691,086
Administration	916,499	795,842
Loss (gain) on foreign exchange	(22,271)	42,631
	1,997,826	2,030,261
<i>(Loss) income from operations</i>	(393,577)	414,841
Interest, accretion, loss on extinguishment	Notes 11 & 12 (43,650)	(248,894)
<i>Net and comprehensive (loss) income for the year</i>	\$ (437,227)	\$ 165,947
<i>Basic and diluted (loss) income per share</i>	Note 19 \$ (0.003)	\$ 0.001

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

For the years ended	2022	2021
<i>Operating activities:</i>		
Net and comprehensive (loss) income for the year	\$ (437,227)	\$ 165,947
Items not affecting cash from operations:		
Depreciation and amortization	121,623	125,583
G&G Private Capital loan extinguishment	-	91,867
Net present value adjustments on loans	(87,025)	(10,948)
Accretion of interest on loans	58,278	77,042
Stock-based compensation	65,176	4,515
	(279,175)	454,006
Changes in non-cash working capital balances	146,784	(22,738)
<i>Cash flows from operating activities</i>	(132,391)	431,268
<i>Investing activities:</i>		
Additions to equipment	-	(3,697)
<i>Cash flows from investing activities</i>	-	(3,697)
<i>Financing activities:</i>		
Repayment of FedDev Ontario (IBI)	(105,000)	(54,000)
Borrowing from FedDev Ontario (RRRF)	-	25,415
Repayment of G&G Private Capital	(105,000)	(140,000)
G&G refinancing costs	-	(28,320)
Lease payments	(68,606)	(60,456)
Repayment of related party advances	(7,500)	(10,000)
<i>Cash flows from financing activities</i>	(286,106)	(267,361)
<i>Net (decrease) increase in cash</i>	(418,497)	160,210
Cash, beginning of year	708,807	548,597
<i>Cash, end of year</i>	\$ 290,310	\$ 708,807

Supplemental Information [Note 22](#)



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

(Canadian dollars)

	Share capital		Warrants	Stock based compensation reserve	Contributed surplus	Deficit	Shareholders' deficiency
	Number of shares	Amount					
<i>Balance, October 1, 2020</i>	135,822,995	\$ 12,430,558	\$ 58,783	\$ 383,530	\$ 2,267,311	\$ (16,307,859)	\$ (1,167,677)
Issuance of common shares	1,800,000	45,000	-	-	-	-	45,000
Issuance of options	-	-	-	4,515	-	-	4,515
Options expired	-	-	-	(80,146)	80,146	-	-
Warrants issued	-	-	16,235	-	-	-	16,235
Warrants expired / cancelled	-	-	(58,783)	-	58,783	-	-
Net and comprehensive income for the year	-	-	-	-	-	165,947	165,947
<b>Balance, September 30, 2021</b>	137,622,995	\$ 12,475,558	\$ 16,235	\$ 307,899	\$ 2,406,240	\$ (16,141,912)	\$ (935,980)
<i>Balance, October 1, 2021</i>	137,622,995	\$ 12,475,558	\$ 16,235	\$ 307,899	\$ 2,406,240	\$ (16,141,912)	\$ (935,980)
Issuance of options	-	-	-	65,176	-	-	65,176
Options expired	-	-	-	(228,384)	228,384	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(437,227)	(437,227)
<b>Balance, September 30, 2022</b>	137,622,995	\$ 12,475,558	\$ 16,235	\$ 144,691	\$ 2,634,624	\$ (16,579,139)	\$ (1,308,031)

Supplemental information [Note 13](#)

**MEMEX INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**  
(Canadian dollars)

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## 1. Nature of business and going concern

Memex Inc. ("Memex" or the "Company") was incorporated under the Alberta Business Corporations Act ("ABCA") on July 15, 2011. 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 880 Laurentian Drive – Unit 2, Burlington, Ontario L7N 3V6. 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, 2022, 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 17, 2023.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of September 30, 2022, the Company has an accumulated deficit of \$16,579,139 (September 30, 2021 - \$16,141,912) and a working capital deficiency of \$932,534 (September 30, 2021 - \$165,242 deficiency). Given its current working capital position and the potential for losses in future, the Company may not be able to meet its financial obligations and sustain its operations in the normal course of business, all of which cast significant doubt and material uncertainty about the Company's ability to continue as a going concern.

While the Company has been successful in raising sufficient funding in the past, there can be no assurance it will be able to do so in the future. If the Company fails to execute its business plan, is unable to raise additional funding and is unable to continue as a going concern, significant adjustments would likely be required to the carrying values of the assets and liabilities, reported expenses and balance sheet classifications of these consolidated financial statements. These adjustments could be material.

### COVID-19

The Company's future operations could be significantly adversely affected by the effects of COVID-19 ("COVID"). The Company cannot accurately predict the future impact COVID will have on its operations or the ability of others to meet their obligations with the Company, including uncertainties relating to the geographic spread of the virus, the severity of the disease, the duration of the outbreak, or the length of restrictions imposed by governments of affected countries.

## 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") and interpretations of the IFRS Interpretations Committee ("IFRIC").

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 and IFRIC 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 year 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 the consolidated statement of operations 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.

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 estimated to have a remaining useful life of 10 years and is being amortized over that time on a straight-line basis.

Amortization expense is included within operating expenses in the consolidated statement of operations and comprehensive income (loss).

**(c) Impairment**

**(i) Financial assets**

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

**(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.

**(e) Foreign currency translation**

The Company's presentation and functional currency is the Canadian dollar. 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 year end exchange rates are recognized in operations.

**(f) 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.

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 year 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 year 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 year. 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. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists

to offset the amounts, and the Company intends to settle on a net basis; or to realize the asset and settle the liability simultaneously.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting year 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.

**(g) Revenue recognition**

The Company enters into revenue arrangements that may consist of multiple deliverables (“multiple-element arrangements”) of software licensing, hardware, support service and installation. Except for software subscriptions and version upgrade rights, which are recognized over the periods to which the rights relate, revenue from arrangements involving multiple deliverables is recognized when collection is probable, and all elements have been delivered/completed. Revenue is allocated to each respective element based on its fair value. The Company often requires a 40% deposit on multi-element arrangements as well as some contractual situations. Any deposits received are initially recorded as unearned revenue.

**(i) Software licensing**

The Company’s software licensing revenue reflects sales to its clients primarily on a perpetual basis, where the customer receives an indefinite future right to use the software provided in accordance with the Company’s terms of use. Unless the sale is part of a multiple-element arrangement, revenue from perpetual license sales is recognized once the software has been installed on client equipment, the amount of revenue can reliably be measured, and collection is reasonably certain. Software licensing revenue also includes software version upgrade rights, which are charged to licensed users annually and recognized as revenue after collection over the periods to which the upgrade rights relate. Amounts collected prior to being earned are recorded as unearned revenue.

Software licensing revenue also includes the sale of ongoing licensing rights, where the client maintains the right to use the software as long as they pay their periodic licensing fee. Revenue from the sale of ongoing licensing rights is recognized over the periods to which the licensing rights relate.

**(ii) Hardware**

Unless part of a multiple-element arrangement, revenue from the sale of hardware products is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sale 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.

**(iii) Support services and installation**

Unless part of a multiple-element arrangement, revenue from support services is recognized after the service has been provided and collection is probable. In instances where the Company invoices the client prior to performing 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 installation, configuration and support.

**(h) Financial instruments**

The Company’s accounting policy for each class of financial instruments is in accordance IFRS 9, Financial Instruments, as follows:

**(i) Financial assets**

**1. Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Trade and other receivables held for collection of contractual cash flows are measured at amortized cost.

**2. Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive income (loss).

**3. Subsequent measurement – financial assets at FVTPL**

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Canadian dollars)

financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive income (loss). The Company does not measure any financial assets at FVTPL.

**4. Subsequent measurement – financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

**5. Derecognition**

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Company has transferred substantially all the risk and rewards of ownership of the assets. Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized

**(ii) Financial liabilities**

**1. Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities and long-term liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

**2. Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive income (loss).

**3. Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive income (loss).

**(i) Leases**

The Company's leases are measured at the discounted present value of the minimum lease payments, excluding short-term and low-value leases. A weighted average incremental borrowing rate is used to determine the lease liability at adoption.

A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding ROU asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Amortization is recognized on the ROU asset over the lesser of the lease term and the asset's useful life. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize ROU assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(j) Share-based payments and warrants**

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statement of operations and comprehensive income (loss) over the vesting period. Performance vesting conditions

**MEMEX INC.**  
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(Canadian dollars)

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are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive income (loss) over the remaining vesting period. When stock options and warrants are granted by Memex, the corresponding increase is recorded to share based payment reserve and when granted by a subsidiary the corresponding increase is recorded to non-controlling interest and classified as options and warrants.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on the grant date.

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognized in operations and comprehensive income (loss) over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations and comprehensive income (loss). When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital for any consideration paid.

Where cash-settled share-based payments are granted, the goods or services acquired, and the liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value is re-measured at the end of each reporting period and at the date of settlement, by applying an option pricing model, with any changes in fair value recognized in profit or loss for the period. The measurement of the liability takes into account, the terms and conditions on which the share appreciation rights were granted and to the extent to which the employees or consultants have rendered service to the date of measurement. Unexercised expired options and warrants are transferred to deficit.

**(k) Earnings (Loss) per Share**

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease income (loss) per share or increase income per share. Options and warrants have a dilutive effect only when the average market price of the shares exceeds the exercise price of the options or warrants. The diluted income per share is the same as basic loss per share for the years ended September 30, 2022 and 2021 as the effects of including all outstanding options and warrants would be anti-dilutive.

**(l) Government grants**

Government grants are recognized only once there is reasonable assurance that the Company will be able to comply with any conditions attached to the grant and that the grant will be received. Grants are recognized as either income over the period(s) necessary to match them with the related costs or if related to a specific expense, as a reduction or contra to the expenses for which they are intended to compensate, on a systematic basis. Grants receivable for costs already incurred or for immediate financial support, with no future related costs, are recognized as income in the period in which the grant is receivable.

If a grant becomes repayable, it is treated as a change in estimate. Where the original grant related to income, the repayment would be applied first against any related unamortized deferred credit, and any excess would be expensed. Where the original grant related to an asset, the repayment would be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received would be charged as an expense.

**(m) 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

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differ from those estimates. Differences in estimates and assumptions could have a significant impact on these consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years 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 CGU 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) Expected credit loss**

The Company provides for loss allowance using a forward-looking expected credit loss approach.

Loss allowances are measured based on the lifetime expected credits losses ("ECLs"). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information. The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full.

**(v) Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company is also subject to tax regulations as they relate to flow-through financing arrangements. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**(vi) Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions is disclosed in Note 13. The expected volatility assumptions for Memex option and warrant grants was based on the historical volatility of Memex shares.

**(n) 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 year 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) Standards to be adopted**

*IAS 1 – 'Disclosure of Accounting Policies' ('IAS 1')* was issued in February 2021 with amendments that are intended to help

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preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

*IAS 8 – ‘Definition of Accounting Estimates’ (“IAS 8”)* was issued in February 2021 to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

*IAS 12 – ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ (“IAS 12”)* was issued in May 2021 to clarify how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

*IFRS 16 – ‘rent concessions amendment’ (“IFRS16”)* amendment originally issued May 2020 was extended by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The practical expedient was originally available only for payments due on or before June 30, 2021, however, since the effects of COVID-19 are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for year ends beginning on or after April 1, 2022.

*IFRS 10 – Consolidated Financial Statements (“IFRS 10”)* and *IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)* were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

*IAS 1 – Presentation of Financial Statements (“IAS 1”)* was amended in January 2020 to provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

*IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”)* was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other direct costs incurred on activities required to fulfill the contract. The amendments are effective for annual periods beginning on January 1, 2022.

*IAS 16 – Property, Plant and Equipment (“IAS 16”)* was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

### 3. Investments - Shares in subsidiary undertakings

The Company owns all of the outstanding shares of Memex Automation Inc. and Astrix Networks America Inc., whose results have been consolidated in these financial statements.

### 4. Trade and other receivables

*As at September 30*

	2022	2021
Current	\$ 72,040	\$ 161,615
Over 30 days	18,625	23,075
Over 60 days	-	-
Over 90 days	12,230	7,245
	\$ 102,895	\$ 191,935
Other receivables	4,403	57,800
	\$ 107,298	\$ 249,735

### 5. Inventory

*As at September 30*

	2022	2021
Finished goods and component parts	\$ 144,591	\$ 122,584
Work-in-process	17,289	20,522
Less: provision for slow moving and obsolete	(1,431)	(1,217)
	\$ 160,449	\$ 141,889

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



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**6. Equipment**

	Furniture and Equipment	Computer Hardware	Total
<i>Cost</i>			
Balance at October 1, 2020	\$ 147,494	\$ 182,090	\$ 329,584
Additions	-	3,697	3,697
Balance at September 30, 2021	\$ 147,494	\$ 185,787	\$ 333,281
Additions	-	-	-
Balance at September 30, 2022	\$ 147,494	\$ 185,787	\$ 333,281
<i>Accumulated depreciation</i>			
Balance at October 1, 2020	\$ 112,587	\$ 149,285	\$ 261,872
Depreciation expense	6,981	10,396	17,377
Balance September 30, 2021	\$ 119,568	\$ 159,681	\$ 279,249
Depreciation expense	5,585	7,832	13,417
Balance at September 30, 2022	\$ 125,153	\$ 167,513	\$ 292,666
<i>Carrying amounts</i>			
As at September 30, 2021	\$ 27,926	\$ 26,106	\$ 54,032
As at September 30, 2022	\$ 22,341	\$ 18,274	\$ 40,615

**7. Intangible assets – software and development costs**

	2022	2021
<i>As at September 30</i>		
<i>Cost</i> – beginning and end of year	\$ 614,096	\$ 614,096
<i>Accumulated amortization</i>		
Balance – beginning of year	\$ 492,627	\$ 452,137
Amortization	40,490	40,490
Balance – end of year	\$ 533,117	\$ 492,627
<i>Carrying amounts</i>		
Balance - end of year	\$ 80,979	\$ 121,469

**8. Right-of-use asset**

	2022	2021
<i>As at September 30</i>		
Balance – beginning of year	\$ 253,928	\$ 321,644
Amortization	(67,716)	(67,716)
Balance – end of year	\$ 186,212	\$ 253,928

**9. Accounts payable and accrued liabilities**

	2022	2021
<i>As at September 30</i>		
Trade payables and accrued liabilities	\$ 180,011	\$ 142,952
Government remittances	20,063	26,200
	\$ 200,074	\$ 169,152

**10. Unearned revenue**

	2022	2021
<i>As at September 30</i>		
Undelivered projects	\$ 481,298	\$ 369,933
Prepaid client services	130,278	169,884
Future software rights	243,990	334,775
	\$ 855,566	\$ 874,592

Unearned revenue primarily relates to deposits received from clients on multi-element delivery arrangements, prepaid client services and the unearned portion of customers rights to future software use and upgrades.

Of the \$874,592 (September 30, 2020 - \$1,047,069) in unearned revenue reported as at September 30, 2021, \$707,082 was recognized as revenue during the year ended September 30, 2022 (September 30, 2021 – \$872,773).

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**11. Long-term liabilities**

*As at September 30*

IBI term loan (a)  
G&G Private Capital (b)  
RRRF term loan (c)  
Company Officers – G&G congruent (d)  
Company Officers – deferred remuneration (e)

	2022	2021
	\$ 287,225	\$ 450,990
	347,371	432,114
	100,668	92,354
	24,812	30,865
	138,313	138,313
	\$ 898,389	\$ 1,144,636
Allocated:		
Current portion	\$ 379,201	\$ 192,386
Long-term portion	519,188	952,250
	\$ 898,389	\$ 1,144,636

**(a) IBI term loan**

On March 19, 2015, the Company qualified for \$800,000 in non-interest-bearing Government of Canada fixed repayment-term advances, through FedDev Ontario's Investing in Business Innovation ("IBI") initiative. On September 27, 2022 the lender agreed to a revised repayment schedule which extended the repayment requirements until December 2027. The revision was considered a substantial modification, and as such the original loan was accounted for as being extinguished and a new loan was recognized at the net present value of the future repayments at a discount rate of 13.45% which resulted in a net present value improvement of \$87,025.

During the year ended **September 30, 2022** the Company repaid \$105,000 (2021 - \$54,000) in principal and recognized a net present value adjustment of \$58,765. In 2021 the Company recognized \$39,881 interest accretion expense on this loan.

**(b) G&G Private Capital**

On March 28, 2019, the Company received a \$700,000 loan facility (the "Loan") from affiliates of G&G Private Capital ("G&G") at Royal Bank Prime ("RBP") rate plus 8% that required quarterly principal repayments of 5% of the total amount borrowed commencing March 2020. The Loan was originally scheduled to mature in March 2022, however, on March 29, 2021 G&G and the Company modified the terms of the loan by extending the maturity date by one year (the "Extension") to March 2023, and on **September 30, 2022** further modified the terms of the loan as to not require the 5% **September 30, 2022** principal repayment. As a condition of the initial Loan, G&G required Company Officers (collectively the "Lenders") to advance the Company \$50,000 under identical lending terms and conditions, which also occurred March 28, 2019. In conjunction with G&G, the Company Officers agreed to the same modifications to their loans.

As consideration for the Loan Extension, the Lenders were paid a re-financing fee of \$9,000 (\$8,400 to G&G and \$600 to Company Officers), were issued a total of 1,800,000 common shares of the Company (1,680,000 to G&G and 120,000 to Company Officers) valued at \$45,000 (TSXV closing value on March 29, 2021), and were issued 750,000 warrants (700,000 to G&G and 50,000 to Company Officers) exercisable at \$0.05 as described in warrants transactions and valued at \$16,235 (Black-Scholes – expected life: 2 years, risk free rate: 0.23%, dividend yield: 0%, volatility: 235%). All warrants issued under the terms of the Loan Extension expire at the maturity of the Loan. Warrants issued to G&G and Company Officers as a condition of the original loan agreement in 2019 were cancelled on the Extension agreement date. In addition, the Company incurred \$19,320 in financing costs. No additional incentive, interest or fee was paid to the Lenders for not requiring the **September 30, 2022** principal repayment.

Because the March 2021 changes in the terms of the loan were considered substantial, the Extension event was accounted for as the extinguishment of the original instrument and the recognition of a new instrument. Accordingly, the difference between the carrying amount of the original instrument immediately prior to modification, and the fair value of the amended instrument (using a discount rate of 16%) combined with refinancing costs resulted in a loss on extinguishment of \$88,369 which was included in the interest, accretion and loss on extinguishment expense for the year ended **September 30, 2021**.

The September 2022 change to the Loan's terms was not considered substantial, but rather a modification of the existing loan, and was accounted for by adjusting the carrying value of the Loan to the present value of amended repayments using the same 16% discount rate resulting in an additional \$3,597 in interest accretion expense and increase in the carrying value of the Loan at **September 30, 2022**.

The Loan is secured by a general security (a "GSA") over all Company assets.

The Company repaid \$105,000 (2021 - \$140,000) in principal and recognized \$64,743 (2021 - \$75,124) in interest expense, \$44,486 paid (2021 - \$56,643) and \$20,257 (2021 - \$18,481) in accretion, to G&G during the year ended **September 30, 2022**.

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**(c) RRRF term loan**

On July 22, 2020 the Company was approved for an interest-free Regional Relief and Recovery Fund (“RRRF”) Loan of \$127,075 through FedDev for Southern Ontario. The repayment of funds advanced will commence January 2023 with the loan to be fully repaid December 2027. The loan is valued at the present value of anticipated future repayments at each reporting date using a discount rate of 9%. During the period ended **September 30, 2022** the Company recognized interest accretion expense of \$8,314 (2021 - \$10,948 net present value adjustment and \$7,319 in interest accretion expense).

**(d) Company Officers – G&G congruent**

Congruent with, and as a condition of G&G Loan, the Company's CEO (through a controlled corporation) and CFO, both related parties, collectively agreed to loan the Company \$50,000 under the same terms and conditions as the G&G Loan, including interest rate, financing fees, repayment terms, security, entitlement to Company Warrants, Extension of the loan in March 2021 and waiving their principal repayment in September 2022. Also congruent with the G&G loan, and the Loan Extension on March 29, 2021 being considered substantial, the difference between the carrying amount of the original instrument immediately prior to modification, and the fair value of the amended instrument (using a discount rate of 16%) combined with refinancing costs resulted in a loss on extinguishment of \$3,498 which was reflected in the interest, accretion and loss on extinguishment expense in March 2021. The September 2022 waiving of the principal payment was not considered substantial and was accounted for in the same way as the G&G Loan by adjusting the carrying value of the Loan to the present value of amended repayments using the same 16% discount rate resulting in an additional \$257 in interest accretion expense and increase in the carrying value of the Loan at **September 30, 2022**.

The Company repaid \$7,500 (2021 - \$10,000) in principal plus recognized \$4,625 (2021 - \$5,365) in interest expense, \$3,178 paid (2021 - \$4,046) and \$1,447 (2021 - \$1,319) in accretion, to the CEO and CFO during the year ended **September 30, 2022**.

**(e) Company Officers – deferred remuneration**

The Company's CEO, a related party, as well as another Company employee agreed to postponement and restrictions over payment of their remuneration such that any funds used for repayment would be derived from Company profits. They further agreed to postpone settlement in favour of FedDev Ontario as a condition of the Company's participation in IBI funding. Of the outstanding balance at **September 30, 2022**, the CEO's deferred remuneration was \$86,543, unchanged from **September 30, 2021**.

**(f) Principal repayments**

Principal repayments, assuming no prepayments, are scheduled to be repaid as follows for the years ended **September 30**:

2023	\$ 428,064
2024	85,416
2025	115,416
2026	121,416
2027 and beyond	176,768
	\$ 927,080
Add : deferred remuneration	138,313
Less: accretion expense	(167,004)
	\$ 898,389

**12. Lease liability**

*As at September 30*

Balance - beginning of year  
 Interest expensed  
 Lease payments  
 Balance - end of year  
 Current portion

	<b>2022</b>	<b>2021</b>
Balance - beginning of year	\$ 316,521	\$ 376,977
Interest expensed	24,783	30,244
Lease payments	(93,389)	(90,700)
Balance - end of year	\$ 247,915	\$ 316,521
Current portion	(83,800)	(68,604)
	\$ 164,115	\$ 247,917

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The following reconciles the undiscounted lease payments to the lease liability:

By year ended **September 30**

2023	\$ 101,988
2024	104,317
2025	72,683
	\$ 278,988
Less: interest expense	(31,073)
	\$ 247,915

**13. 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*

	<b>2022</b>		<b>2021</b>	
	#	\$	#	\$
Outstanding, beginning of year	137,622,995	\$ 12,475,558	135,822,995	\$ 12,430,558
Issued during the year <b>(d)</b>	-	-	1,800,000	45,000
Outstanding, end of year	137,622,995	\$ 12,475,558	137,622,995	\$ 12,475,558

**(c) Preferred shares issued and outstanding**

There were no preferred share transactions or balances during the years ended **September 30, 2022** or **2021**.

**(d) Capital transactions**

**(i) For the year ended September 30, 2022**

There were no transactions.

**(ii) For the year ended September 30, 2021**

On March 29, 2021, the Company issued 1,800,000 Common Shares of the Company to G&G Private Capital (1,680,000) and Company Officers (120,000) as part of an agreement to extend the term of its outstanding loan with the Lenders. The issued Common Shares were valued at \$45,000 (\$0.025 per share, the closing trading value on the TSXV on March 29, 2021).

**(e) Warrant transactions**

**(i) For the year ended September 30, 2022**

There were no transactions.

**(ii) For the year ended September 30, 2021**

On March 29, 2021, in connection with G&G loan Extension, the Company issued 700,000 warrants to the affiliates of G&G and 50,000 warrants to Officers of the Company, with each warrant having an exercise price of \$0.05, and an expiry of the maturity of the loan. The issued warrants were valued at \$16,325 (Black-Scholes – expected life: two years, risk free rate: 0.23%, dividend yield: 0%, volatility: 235%). Also in connection with the March 2021 Loan Extension, warrants issued to G&G and Company Officers with the initial Loan Agreement March 2019 were cancelled.

The following table reflects the warrants issued and outstanding as at **September 30, 2022**:

<i>Grant Date</i>	<i>Expiry Date</i>	<i>Remaining useful life (years)</i>	<i>Exercise price</i>	<i>Number of warrants outstanding and exercisable</i>
March 29, 2021	March 28, 2023	0.50	\$0.05	750,000

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The following table reflects the changes in the issued and outstanding warrants during the reporting periods:

	Weighted average	Number of warrants outstanding
Balance October 1, 2020	\$0.05	3,750,000
Issued	\$0.05	750,000
Cancelled	\$0.05	(3,750,000)
As at September 30, 2021 and 2022	\$0.05	750,000

(f) **Stock-based compensation reserve**

(i) For the year ended September 30, 2022

1. **Options issued to Senior Management**

By unanimous resolution, on March 8, 2022, the Board of Directors approved the issuance of a total of 4,000,000 Options, exercisable at \$0.05 per Option and valued at \$96,400 (Black-Scholes: expected life of five years, risk free rate of 1.61%, expected dividend yield of 0% and expected volatility of 199.2%). These Options were issued to the Company CEO (2,000,000) and CFO (2,000,000) on that date. Half (2,000,000) 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 administrative expenses over their vesting year(s). A total of \$27,192 was expensed during the year ended September 30, 2022. None of these Options have vested.

2. **Options issued to Directors**

By unanimous resolution, on March 8, 2022, the Board of Directors approved the issuance of a total of 2,400,000 Options, exercisable at \$0.05 per Option and valued at \$57,840 (Black-Scholes: expected life of five years, risk free rate of 1.61%, expected dividend yield of 0% and expected volatility of 199.2%). These Options were issued to each of three non-management Directors on that date. One-third (800,000) of these Options vested immediately, one-third vest one year from the date of issue and the remaining third vest two years from the date of issue, with all Options expiring three years from the issue date or ninety days after the Director's relationship with the Company is severed with cause. The value of these Options is included in administrative expenses over their vesting year(s). A total of \$37,274 was expensed during the year ended September 30, 2022. One third (799,998) of these Options have vested.

(ii) For the year ended September 30, 2021

There were no transactions.

The following table reflects the stock-based compensation options issued and outstanding as at September 30, 2022:

Grant Date	Expiry Date	Remaining useful life (years)	Exercise Price	Number of exercisable Options	Number of Options Outstanding
January 19, 2018	January 19, 2023	0.30	\$0.13	90,000	90,000
August 17, 2018	August 17, 2023	0.88	\$0.06	1,500,000	1,500,000
January 16, 2019	January 16, 2024	1.30	\$0.05	400,000	400,000
March 8, 2022	March 8, 2027	4.44	\$0.05	799,998	6,400,000
				2,789,998	8,390,000

The weighted average exercise price of the outstanding Options as at September 30, 2022 was \$0.05 (2021 - \$0.10).

The following table reflects the changes in the issued and outstanding options during the reporting periods:

	Weighted Average Price	Number of Options Outstanding
As at October 1, 2020	\$0.10	5,302,500
Expired	\$0.10	(1,110,000)
As at September 30, 2021	\$0.10	4,192,500
Issued	\$0.05	6,400,000
Expired	\$0.14	(2,202,500)
As at September 30, 2022	\$0.05	8,390,000

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#### 14. Contractual obligations

As amended June 26, 2018, the Company agreed to lease office space from Children's Financial Group Inc. for a term of eighty-seven months commencing April 1, 2018. Future minimum lease payments which include the estimated common area costs are summarized below:

*For the years ended September 30:*

2023	\$ 161,988
2024	164,675
2025	125,925

#### 15. 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 and accrued liabilities. 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 trade and other receivables. The Company provides credit to its clients in the normal course of its operations.

As of **September 30, 2022**, there was a concentration of credit risk with \$66,053 (62%) of the Company's receivables collectible from three customers. At **September 30, 2021** - \$91,146 (48%) was collectible from one customer.

##### (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, 2022**, 96.2% of the Company's sales were in US dollars (2021 - 86.9%). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at **September 30, 2022**, cash, trade and other receivables and accounts payable and accrued liabilities of \$118,948, \$72,325 and \$53,739 respectively (2021 - \$448,970, \$139,609 and \$26,347 respectively) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.37 (2021 - 1.27). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive income (loss) by approximately \$9,000.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of 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.

##### (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.

#### 16. Related party transactions and balances

Details of related party loans and advances from senior management and another Company employee have been included with *Long-term liabilities*.

**MEMEX INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

(Canadian dollars)

The Company entered into the following transactions with key management personnel, which consist of directors and senior management (the C.E.O. and C.F.O.) :

*For the years ended September 30*

Salaries, benefits and directors' fees  
 Stock-based compensation

	2022	2021
\$	469,532	\$ 395,996
	64,466	-

There were no amounts receivable from any key management or other related parties on these dates.

Included in the table above, non-Officer Directors fees of \$36,000 for their services to the Company was recognized for the year ended September 30, 2022 (2021 - \$36,000).

A lawyer at Lindsey MacCarthy LLP ("LM LLP") 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, 2022, the Company had incurred a total of \$10,597 (2021 - \$23,195) in legal fees from LM LLP.

### 17. 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 for the years ended September 30, 2022 or 2021.

### 18. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately \$16,200,000 (2021 - \$15,800,000) of which \$15,100,000 (2021 - \$14,700,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2043, and most of the remaining differences may be carried forward indefinitely.

### 19. 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 years ended September 30, 2022 and 2021 were based on a net and comprehensive loss of \$437,227 and income of \$165,947 respectively and a weighted average number of shares outstanding of 137,622,995 and 136,737,830 respectively.

#### (b) Dividends

There were no dividends declared or paid by the Company for the years ended September 30, 2022 or 2021.

### 20. Revenue and segmented information

The Company is organized and managed as a single reportable operating segment. Revenues are broken down by software licensing, hardware, support services installation from continuing operations, and classified by major geographical segments in which the Company's customers are located. The following disaggregate revenues by type, timing of recognition and geography.

#### (a) Revenue by element

*For the years ended September 30*

Software licensing  
 Hardware  
 Support services and installation

	2022	2021
\$	1,371,488	\$ 1,925,995
	207,996	283,232
	561,432	831,112
\$	2,140,916	\$ 3,040,339

#### (b) Timing of revenue recognition

*For the years ended September 30*

At a point in time  
 Over time

	2022	2021
\$	1,414,023	\$ 2,206,140
	726,893	834,199
\$	2,140,916	\$ 3,040,339

**MEMEX INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**  
(Canadian dollars)

**(c) Geographic Segmentation**

Any customer contributing to ten percent or more of an entity's revenues is considered a major customer in that period. Revenues from individual customers of the Company vary greatly. Continuing business from the same customer may occur from period to period, however, the Company has no expectation of significant reoccurring revenues. For the year ended **September 30, 2022** the Company generated 24.2% of its revenue from two customers. For the year ended **September 30, 2021** the Company had no major customers.

*For the years ended September 30*

	2022		2021	
	%	Revenue	%	Revenue
Canada	9.2	\$ 197,479	13.1	\$ 398,264
United States	87.0	1,861,588	83.4	2,535,179
Other	3.8	81,849	3.5	106,896
		\$ 2,140,916		\$ 3,040,339

**21. Analysis of expenses by nature**

The following breaks down the nature of expenses incurred:

**(a) Cost of sales**

*For the years ended September 30*

	2022	2021
Materials	\$ 92,360	\$ 75,906
Direct labour	363,698	438,505
Government labour grant	-	(6,195)
Other direct costs	40,119	46,531
Amortization	40,490	40,490
	\$ 536,667	\$ 595,237

**(b) Operating expenses**

*For the years ended September 30*

	2022	2021
Labour and benefits	\$ 1,204,674	\$ 1,397,521
Government labour grant	-	(9,537)
Advertising and marketing	230,976	126,536
Office and other miscellaneous	119,360	110,516
Insurance	51,539	37,421
Professional fees	84,289	72,216
Occupancy	57,669	19,250
Communications and support	78,960	86,779
Depreciation and amortization	81,133	85,093
Travel	43,320	49,938
Stock-based compensation	65,176	4,515
Development costs	3,001	7,382
Net loss (gain) on foreign exchange	(22,271)	42,631
	\$ 1,997,826	\$ 2,030,261

**22. Additional cash flows information**

Changes in non-cash working capital items consist of:

*For the years ended September 30*

	2022	2021
Trade and other receivables	\$ 142,437	\$ 131,498
Inventory	(18,560)	34,213
Prepaid expenses	11,011	(4,697)
Accounts payable and accrued liabilities	30,922	(11,275)
Unearned revenue	(19,026)	(172,477)
	\$ 146,784	\$ (22,738)

During the year ended **September 30, 2022** no warrants were issued (**2021** – \$16,235 of warrants were issued as part of the G&G debt refinancing).



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**Memex Inc.**

**Management's Discussion and Analysis**

For the years ended **September 30, 2022 and 2021**

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**MEMEX**  
Measuring Manufacturing Excellence™

*Management's Discussion and Analysis* (the "MD&A") of the financial condition and results of operations of Memex Inc. ("Memex" or the "Company") should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended September 30, 2022 and 2021. The MD&A is prepared as at **January 17, 2023**, 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.

## COMPANY OVERVIEW

Memex, with its head office in Burlington, Ontario is a corporation continued under the Alberta Business Corporations Act ("ABCA"). The Company is a reporting issuer in Ontario, British Columbia, Alberta and Saskatchewan.

Memex's flagship product, MERLIN Tempus™, a software-driven communications platform that delivers manufacturing productivity metrics including Overall Equipment Effectiveness ("OEE") in real time, has established Memex as a leader in the Industrial Internet of Things ("IIoT").

MERLIN measures and analyzes manufacturing and production performance and provides its users with real-time insights on operational efficiency, as well as unparalleled visibility at all levels of the manufacturing process from "Shop-Floor-to-Top-Floor." Its funnel of process data and analytics truly enables Data-Driven Manufacturing, a cornerstone of Continuous Improvement ("CI") and other lean manufacturing initiatives.

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

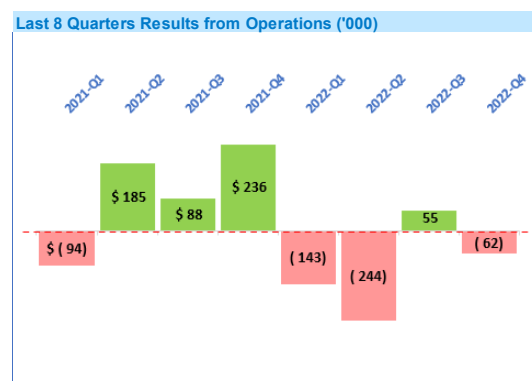
The MERLIN Tempus Suite provides effective quantification and management of OEE by revealing hidden capacity using real-time objective data, and it offers sustainable benefits that enable world-class OEE such as reducing costs, incorporating strategies for lean manufacturing, CI, and boosting bottom-line financial performance.

## HIGHLIGHTS AND SIGNIFICANT EVENTS

### Income from Operations and Net and Comprehensive Income

Despite the economic and operating turbulence caused by COVID, collectively over the past two years Memex has been operationally profitable (fiscal 2022's operating loss was less than fiscal 2021's profit). The Company's net loss from operations for the year ended September 30 2022 of \$394 thousand was \$809 thousand (195% ↘) less than the operating profit of \$415 thousand for the prior year. Labour efficiencies leveraged in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of fiscal 2022 netted more than \$200 thousand in savings in the second half of the year and put the Company back on a profitable trajectory. Memex tallied a fourth quarter loss from operations of \$62 thousand, down \$298 thousand (126% ↘) from the fourth quarter of fiscal 2021.

A net and comprehensive loss of \$437 thousand was reported for fiscal 2022, a \$603 thousand (363% ↘) decline from the prior year. Q4 accounted for only \$3 thousand of the loss as compared with a \$198 thousand profit generated in Q4-2021 a \$201 thousand (102% ↘) decline. Q4-2022's operating loss was softened substantially by an \$87 thousand present value adjustment on the renegotiated repayment terms for the Company's FedDev business innovations loan which extended repayment out until 2027.



### Revenues, Bookings and Backlog

Memex reported \$2.14 million in revenue for the year ending September 30, 2022, which was \$899 thousand lower (30% ↘) than the prior year, and \$508 thousand in fourth quarter revenue was \$317 thousand (38% ↘) lower than Q4-2021. Although the Company did well executing on its backlog carried over from Q3, failure to generate sufficient Q4 bookings was a contributing factor to the decline in Q4 revenues.

Bookings for fiscal 2022 of \$2.07 million were off moderately, down \$225 thousand (10% ↘) from a year ago, however, fourth quarter results were down \$260 thousand (49% ↘) from the fourth quarter of 2021 accounting for the entire miss. In general, Company management anticipates a small to moderate decline in 4<sup>th</sup> quarter bookings every other year to coincide with their attendance at the bi-annual International Manufacturing Technology Show ("IMTS") due to prospects taking advantage of the opportunity to see the product in person and ask questions before buying, however, this year's decline was beyond expectation.

Customer interest is still viewed by sales staff as strong, although economic concerns, especially in the US, and emerging competition in the machine monitoring technology marketplace continues to add to the challenge of closing new business.

### Cash consumed/generated from Operations

In fiscal 2022 the Company consumed \$279 thousand in cash from operations before changes in working capital balances, \$733 thousand

(161% ↗) more than the prior year. Q4-2022 consumed \$32 thousand, \$279 thousand (113% ↗) more than the same period in the prior year, however over the last two quarters of FY-2022 operations produced \$48 thousand in positive cash flow (86% ↘ from the same two quarters of FY2021).

## FIVE YEAR COMPARISON

### Bookings and Revenues

Memex finished fiscal 2022 with \$2.14 million in revenue, down \$899 thousand (30% ↘) from the prior year and 20% decline over the five-year average, the lowest gross revenue over this time span. Project bookings of \$2.07 million was \$225 thousand lower (10% ↘) than the prior year and 22% off the five-year average, also the Company's poorest showing over this time frame.

Although the current year revenue and bookings data was disappointing, it was not entirely unexpected. With the Company still adjusting to a marketplace hampered by COVID and edgy over looming thoughts of recession the Company made significant strides to reduce its costs to deliver and generate business and maintain as much capital as it could and to stay relevant into the future.

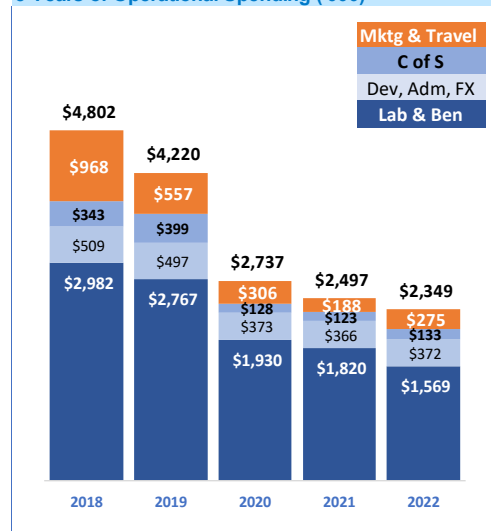
There is no way to quantify the effects of COVID on revenue and bookings over the past three years, or to determine how much higher the Company's bookings and revenue trajectory would have been.

### Results of Operations and Operational Spending

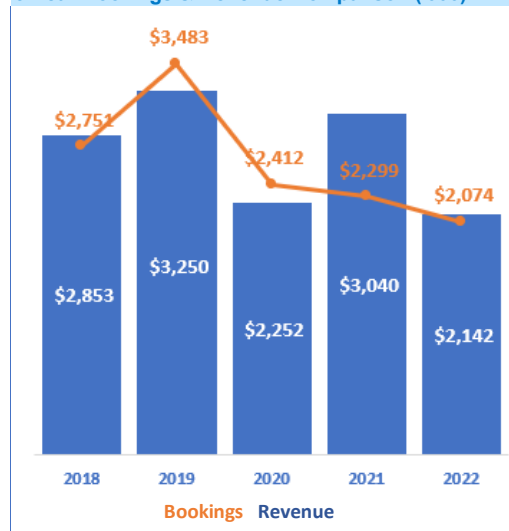
With fiscal 2021 being the only profitable year and setting the operational performance high water mark for Memex thus far, its fiscal 2022 \$394 thousand loss from operations in fiscal 2022 was \$809 thousand (195% ↘) off that pace, although well ahead of the five-year average, being the second-best overall performance since becoming a public issuer.

Management recognizes that future revenue generation is critical to producing bottom-line results, however, maintaining working capital is viewed every bit as important as sales efforts continue to grow its new and recurring revenue streams. In the balancing act between revenue growth and maintaining working capital, management reduced its labour force at the onset of COVID back in March 2020. In the second and third quarters of fiscal 2022 the Company suffered human capital losses primarily through staff resignations, however, out of the ashes, new and more effective methods to manage product delivery enabled management to capitalize on the cost of labour reductions.

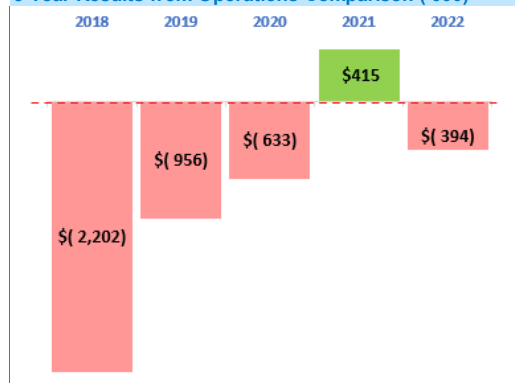
### 5 Years of Operational Spending ('000)



### 5 Year Bookings & Revenue Comparison ('000)



### 5 Year Results from Operations Comparison ('000)



Although marketing and travel

spending increased in fiscal 2022 from its low water mark in 2021, more than 70% of the increased costs for 2022 related to attendance at the ITMS tradeshow in Chicago in September, a bi-annual event.

When comparing operational spending over the past five years, current year expenditures were 5% less than the prior year and almost 30% less than the five-year average. Moving forward it is expected that any future spending increases will be directly in line with increases in bookings and revenue.

For fiscal 2023, management will continue to closely monitor its spending, and only anticipates cost increases that directly correlate to improved bookings and top-line performance.

## OTHER FINANCIAL MEASURES

Management is using Project '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).

A combination of revenue recognition policies and varying customer implementation timelines create inconsistent fluctuations in revenue from period to period such that Management needed to consider other information when measuring and monitoring growth success beyond recognized revenue. Although Management views significant fluctuations in revenue as a key performance indicator, 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 software and service fees plus all invoiced and unearned project orders (i.e. deposits, progress billings). **Backlog** is the total of all unearned project 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 project orders plus any service and software fees generated in each 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 services and future software rights.

$$\text{Bookings} = \text{Revenue} + \text{Ending backlog} - \text{Beginning backlog} + \text{or} - \text{Changes in unearned services \& future software rights}$$

## LOOKING FORWARD

Since the beginning Memex has invoiced more than 90% of its business in US dollars, with more than 80% coming from sales to US Customers. So even though the Company is Canadian, the rise and fall of the US economy tends to have a far more direct bearing on its bottom line than economic changes here in Canada.

### IIoT Market and data-driven decision making

A quick search of the internet will confirm that the IIoT marketplace is growing very rapidly. According to Digital Journal in an on-line article published January 12, 2023, they estimated the Industrial Internet of Things (IIoT) market at USD \$81.51 Billion in 2023, registering at a promising compound annual growth rate ("CAGR") of 7.12% from 2023 to 2032. Their entire study is available for a small fee.

And in a recent article published by Gartner, a technological research and consulting firm based in Stamford, Connecticut that conducts research on technology, they concluded that businesses increasingly prefer data-driven decision-making to intuition-based decision-making, and it accounts for the data analytics market currently growing at a compound annual rate of nearly 30%.

Analysts everywhere tend to agree that data is the new oil. However, to take advantage of all the available information (data) businesses still need a powerful engine to extract, refine and harness it efficiently. In the data-driven discrete manufacturing arena, Memex's MERLIN is that solution.

While management continues to believe the Company is well positioned to capitalize on this growing future market, the ability of Memex to capitalize is still subject to the 'risks and uncertainties to the Company' as outlined in this MD&A.

## Product Development Update

### *Real-Time Maintenance Management System ("RMMS") predictive maintenance features*

Memex's RMMS solution is rescheduled for development early in 2023 in two phases. The first phase entails the addition of the three key metrics, Mean Time Between Failure ("MTBF"), Mean Time To Repair ("MTTR") and Response Time To Repair ("RTTR"), by Q2, 2023. The main UI application will be scheduled for development after Q2.

### *MERLIN Performance Management Model ("MPMM") enhanced filtering*

MERLIN's performance management model currently identifies critical downtime constraints by a unique classification into five key categories. Set-up time for some jobs can be considerable, but may be significantly reduced with Memex's enhanced MPMM tool, which will propose critical work order scheduling and product-related details to maximize the efficiency of the processes by identifying tool and materials-related jobs. This feature has been developed and will be released with the Q1-2023 build of MERLIN. Feedback and additional optimization of the filters is anticipated throughout 2023.

### *MERLIN Tempus V4.0 Release*

With a Beta version released in August 2022, this version of MERLIN includes a complete rewrite to the web server, moving from Microsoft's twenty-year-old IIS server to their cutting-edge KESTREL web server, with expected performance boosts of 30% or more. During the 10-month rewrite, developers moved many functions from the web client to the server's back end for additional performance optimization. Reports were expanded and several new dashboards were made available with new features and custom views. With optimization changes still to be made based on customer feedback, the first production build of MERLIN Tempus 4.0 is being released in Q2-2023.

### *MERLIN Tooling Usage View-Enhanced*

To minimize tooling maintenance and replacement costs, it is important to understand the total "tool cut time" and the frequency of use for each asset. Knowing the total cut time enables manufacturers to predict tool failure better and estimate when to change out or service a tool. Frequency of use dictates how many of a given tool are needed on the shop floor to fulfill production, which is critical when tooling can account for as much as 30% of manufacturing costs.

The tooling view has been Beta released to some customers already, and feedback will determine the various enhancements that may be required, with an estimated production release in Q2-2023.

### *MQTT Sparkplug B Data Source Client*

Many IIoT device manufacturers are adopting the MQTT protocol. This protocol is used to move data from edge devices to their respective cloud applications. By adding this data source client, Memex will be able to capitalize on the growing market of sophisticated devices and manufacturing equipment that employ the protocol. Manufacturers would then have a viable option to connect such equipped machines to MERLIN rather than proprietary vendor applications. Additionally, Memex customers would have a broader hardware choice to connect their machines to MERLIN. The Company's adapter is currently in development and will be released before the end of Q3-2023.

### *Event Monitor Optimization*

Critical to the technology leadership position held by MERLIN is its event monitor. The level of detail available in MERLIN's event monitor view surpasses most of its competition. Because of increasing customer demand for more and more custom data points that employ a high frequency of updates, developers came up with a way to rework and improve the event monitor and allow it to present a much higher level of granularity as well as improve its overall performance. The optimization began in late 2022 and will be released in Q2-2023.

### *OPC UA Middleware Server*

MERLIN Tempus supports machine data connectivity to third-party applications through a new middleware service. The MERLIN Tempus OPC UA server outputs data for all connected machines. Unlike most OPC UA servers, MERLIN validates and normalizes data and presents it to any application subscribed to the server. Hands down, OPC UA is the most adopted, open, reliable, secure technology for moving data between factory, enterprise applications, and the cloud. The OPC UA feature was developed and released in Q1-2023

### *JSREPORT integration*

To provide a rich report development environment suited to advanced reporting requirements, Memex is integrating JSREPORT, a JavaScript report development platform which provides a web-based development studio into MERLIN. This inclusion will enable MERLIN users to custom-create the reports they desire, removing the customer-cost of customized reports. This integration is currently in process and due for release in Q2-2023.

## **OVERALL PERFORMANCE**

Memex \$2.14 million in revenue for the year ended September 30, 2022 is a \$899 thousand decline (30% ↘) from the \$3.04 million reported a year ago.

The Company showed a \$437 thousand net and comprehensive loss for the year ended September 30, 2022, equating to \$0.003 net and comprehensive loss per share, in comparison to a \$166 thousand net and comprehensive income one year ago, and \$0.001 income per share;

Bookings for fiscal 2022 totalled \$2.07 million versus \$2.30 million (10% ↘) a year ago, a \$225 thousand decline;

Gross margin percentage for fiscal 2022 of 74.9% is down from the 80.4% achieved a year ago;

Cash consumed from operating activities (before changes in working capital balances) was \$279 thousand for fiscal 2022, up \$733 thousand (161% ↗) from operations in the prior year; and

The Company had a \$77 thousand working capital deficit (after excluding unearned revenue) and \$290 thousand in cash on hand at September 30, 2022, as compared with \$709 thousand in working capital (after similarly excluding unearned revenue) and \$709 thousand in cash on hand at September 30, 2021.

## SELECTED ANNUAL INFORMATION

For the years ended September 30 (Canadian dollars - in thousands except per share performance)	2022	2021	% change	
Revenues	2,141	3,040	↓	30%
Gross margin	1,604	2,445	↓	34%
Operating expenses				
Development	424	501	↓	15%
Selling and marketing	680	691	↓	2%
Administration	916	796	↑	15%
(Loss) income from operations	(394)	415	↓	195%
Net and comprehensive (loss) income for the period	(437)	166	↓	363%
Basic and diluted (loss) income per share	(0.003)	0.001	↓	330%
Weighted average shares outstanding	137,623	136,738	↑	1%
Actual shares outstanding	137,623	137,623	↔	0%

## RESULTS OF OPERATIONS

## Revenues and Bookings

Revenue for the current year of \$2.14 million was \$899 thousand lower (30% ↓) than in fiscal 2021.

Fiscal 2022 bookings of \$2.07 million, were down \$225 thousand (10% ↓) from fiscal 2021. Closing backlog (accumulated and undelivered bookings) of \$577 thousand has increased by \$62 thousand (12% ↑) from October 1, 2021. Bookings representing the dollar value of projects booked in the fiscal year in excess of projects delivered.

For the years ended September 30 (In thousands of Canadian dollars)	2022	2021	% change	
Revenue for the year period ended September 30, 2022	2,141	3,040	↓	30%
+ Backlog - end of year	577	515	↑	12%
- Backlog - beginning of year	(515)	(1,252)		
+ or - change in unearned service & maint fees	(129)	(4)		
Bookings for the year period ended September 30, 2022	2,074	2,299	↓	10%

## Gross Margin and Cost of Sales

Gross margin for the year ended September 30, 2022, of \$1.60 million is down \$841 thousand (34% ↓) from a year ago. The gross margin percentage has dropped 5% from a year ago. Direct labour costs associated with product delivery declined a mere 16% relative to the revenue decline, highlighting the fixed nature of client services labour, and explaining the overall increase in margin percentage. Even still, Customer service labour costs were down \$75 thousand for the year due to a constriction of the client service team in the second quarter of 2022 (with virtually no loss in the quality-of-service delivery).

## Operating Expenses

Total operating expenses for the year ended September 30, 2022, of \$2.00 million was down \$32 thousand (2% ↓) from a year ago. Most notably, non-direct-labour spending declined \$183 thousand (13% ↓) through worker attrition. These savings were offset by increases in advertising and marketing (\$104 thousand - 82% ↑), occupancy (\$39 thousand - 105% ↑), and stock-based compensation (\$60 thousand - 1200% ↑) as well as some minor increases in office and insurance.

The Company's attendance at the IMTS tradeshow in September 2022 cost the Company more than \$70 thousand after including registration, booth and other attendance fees as well as travel and accommodation costs for staff. The IMTS tradeshow is bi-annual, so the attendance costs occur every other year. The benefits of attending the tradeshow reach well into fiscal 2023 as sales staff continue to develop business from connections made during the event.

The fluctuation in occupancy cost relates to an unanticipated multi-year recovery of common-area costs recognized in fiscal 2021.

Stock-based compensation costs (non-cash) directly relate to stock options (exercisable at \$0.05) issued to Company senior management and directors in March 2022.

## Income (loss) from operations

The Company's loss from operations for the 2022 fiscal year of \$394 thousand, was \$809 thousand (195% ↓) worse than a year ago. The Company's inability to deliver top-line revenue year over year has flowed through to the bottom line.

### Other transactions effecting net and comprehensive income (loss)

Interest, accretion and loss on extinguishment expense for the current year of \$44 thousand is \$204 thousand less than a year ago, with \$87 thousand present value pick-up in the current year for the FedDev IBI repayment restructuring and the prior year including an additional \$92 thousand expense relating to the refinancing of G&G Private Capital's term loan.

### Earnings per share

The basic and diluted loss per share of \$0.003 for fiscal 2022 was based on a weighted average 137.6 million Common Shares outstanding. For 2021, the basic and diluted income per share was \$0.001 on a weighted average of 136.7 million Common Shares outstanding.

### LIQUIDITY

As at September 30, 2022 the Company had working capital deficit (excluding unearned revenue) of \$77 thousand and \$290 thousand in cash on hand, as compared with \$709 thousand in working capital (excluding unearned revenue) and \$709 thousand in cash on hand at September 30, 2021 (111% ↘) and 59% ↘ respectively). On March 29, 2023, the Company's G&G term loan matures, which required the entire unpaid balance to be included within its current liabilities effective March 2022. When combined with the Memex Officers related loan and after including the future accretion expense, these combined loans bring working capital down by \$372 thousand. Memex management and the Strategic Review Committee (independent members of Memex's Board of Directors) are among other things looking for refinancing alternatives for the G&G loan with the goal to have this debt either extended or renewed prior to its maturity in March 2023.

If Memex is unable to extend the term of the G&G Loan, or source alternative financing to repay the G&G Loan prior to its maturity it will be in default, and the lenders will be entitled to pursue all remedies available to them under the terms of that loan including but not limited to, enforcing on its security and seizing all of the assets of Memex. Such an event would have a material adverse effect on the business, operations and capital of Memex and could lead to the suspension of operations. There can be no guarantee that Memex will be able to extend the term of the G&G Loan or source alternative financing. Further, in the event that Memex is able to extend the term of the G&G Loan or source alternative financing, there is no guarantee that such terms of the extension or the alternative financing will be on terms favourable to Memex or its shareholders.

As at (Canadian dollars - in thousands except working capital ratio)	September 30, 2022	September 30, 2021	% change	
Cash on hand	290	709	↓	59%
Current assets	586	1,139	↓	49%
Total assets	894	1,569	↓	43%
Current liabilities	1,519	1,305	↑	16%
Long-term liabilities including lease	683	1,200	↓	43%
Working capital*	(933)	(166)	↓	462%
Modified working capital**	(77)	709	↓	111%
Modified working capital ratio***	0.88 to 1	2.65 to 1		

\* Working capital = current assets less current liabilities

\*\* Modified working capital = Working Capital plus unearned revenue

\*\*\* Modified working capital ratio = current assets / (current liabilities less unearned revenue)

### Liquidity risk

It is possible that bookings and revenue will allow the Company to achieve positive cash flow, however, there is no way to determine if it will be sufficient to meet the Company's objectives, or for how long a combination of positive cash flow from operations and other funding sources may be available. Company management continues to monitor and manage cash flows to obtain reasonable comfort that all current and any future spending commitments made, can be settled with available resources.

### Foreign currency risk

The Company's reporting currency is the Canadian dollar. With the exception of on-site installation work virtually all the Company's operations are undertaken in Canada, and most expenses incurred are denominated in Canadian dollars. The Company's customer base continues to expand throughout North America and other parts of the world, and it generates the majority of its revenue outside of Canada, primarily within the US. All of Memex's foreign sales are contracted in US dollars. The Company's exposure to foreign currency risk occurs when the fair value of future cash flows fluctuate due to changes in foreign (US) exchange rates. Net foreign currency denominated assets held by the Company at any time are exposed to foreign exchange rate fluctuations.

As of September 30, 2022, the Company contracted one full-time US resident. All other utilized labour is Canadian. At September 30, 2022, the company held \$138 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 estimates and reserves its expected credit loss (its "ECL") for the twelve-month period following each reporting date.

As at September 30, 2022, there was a concentration of credit risk because \$66 thousand (62%) of the Company's receivables was collectible from three customers. At September 30, 2021, \$91 thousand (48%) of the Company's receivables was collectible from one customer.

## Cash and cash equivalents

### Operating activities

Net cash utilized through operating activities for the year ended September 30, 2022 of \$132 thousand (after changes in non-cash working capital balances) is a \$563 thousand (131% ↘) decline from fiscal 2021. Management continues to monitor cash consumption to ensure capital continues to be available to fund ongoing activities.

### Investing activities

The Company spent \$Nil (2021 - \$4 thousand) on equipment additions during the year.

### Financing activities

For the year ended September 30, 2022 the Company repaid a total of \$105 thousand (2021 - \$54 thousand) in FedDev IBI long-term financing, \$105 thousand in G&G loans (2021 - \$140K) and \$8 thousand in related party advances associated with the G&G financing (2021 - \$10K). The Company also reduced its lease liability by \$69 thousand (2021 - \$60K).

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)	2022	2021	% change	
Net Cash flows provided through (used in):				
Operating activities	(132)	431	↓	131%
Investing activities	-	(4)	↓	100%
Financing activities	(286)	(267)	↓	7%
Cash, beginning	709	549	↑	29%
Cash, end	290	709	↓	59%

## Contractual obligations

The Company's lease of office space from Children's Financial Group Inc. extends to June 30, 2025. Future minimum lease payments (including the estimated common-area costs) for the years ending September 30<sup>th</sup> are 2023 - \$162 thousand, 2024 - \$165 thousand, 2025 - \$126 thousand.

## CAPITAL RESOURCES

The Company is using its capital to finance current operations as well as its product development strategies. Memex capital consists of a combination of debt and equity; it has term-debt through the FedDev Ontario ("IBI" and "RRRF") as well as term-debt with G&G. FedDev repayments extend until 2027 and the G&G financing matures March 2023. 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:

Thousands of securities outstanding as at	September 30, 2022	January 17, 2023
Common Shares	137,623	137,623
Options to purchase common shares by current and former directors and officers <sup>1</sup>	7,900	7,900
Options to purchase common shares by non-officer employees and contractors <sup>1</sup>	490	490
Warrants to purchase common shares by current and former directors and officers <sup>2</sup>	50	50
Warrants to purchase common shares by lenders and investors <sup>2</sup>	700	700

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.

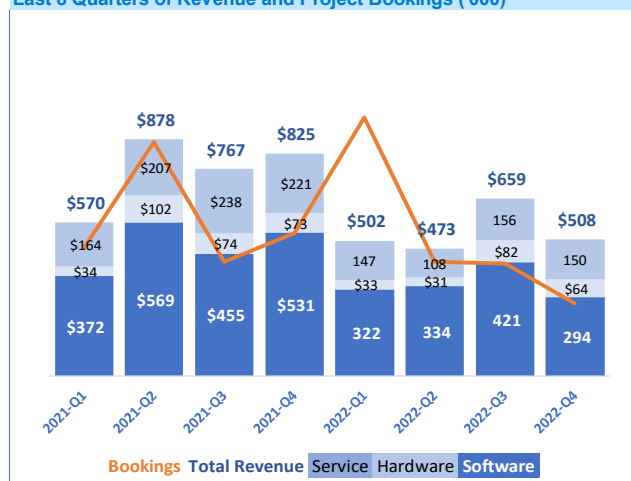


## SUMMARY OF RESULTS FOR THE LAST 8 QUARTERS

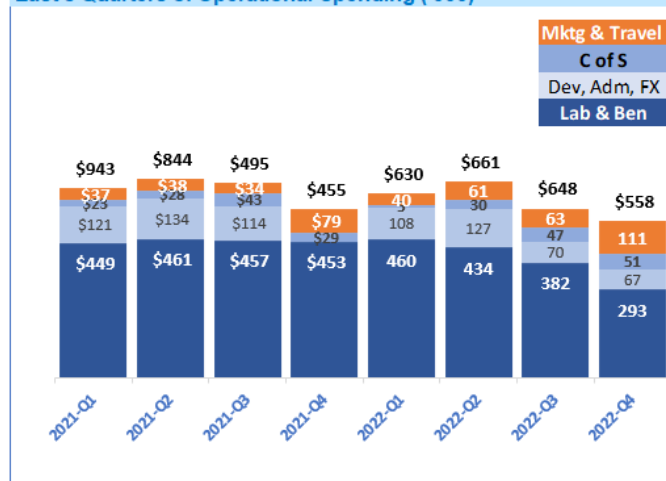
As at and for the three month periods ending (In thousands except per share amounts)	Sep 30, 2022	Jun 30, 2022	March 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
<b>OPERATIONS INFORMATION</b>								
Bookings	271	418	425	958	531	424	867	478
Change in backlog, unearned revenue	237	241	47	(456)	295	342	11	92
Revenue	508	659	473	502	825	767	878	570
Cost of sales	125	136	158	117	146	169	149	132
Gross margin	382	523	314	385	680	598	729	438
Gross margin percentage	75.3%	79.4%	66.5%	76.7%	82.3%	78.0%	83.1%	76.8%
Operating expenses								
Development	87	111	111	116	148	117	124	113
Selling and marketing	169	164	149	197	166	163	178	184
Administration	208	210	286	213	168	206	227	195
Foreign exchange	(19)	(17)	13	1	(38)	25	16	40
Total operating expenses	445	468	558	527	444	510	544	532
Income (Loss) from Operations	(62)	55	(244)	(142)	236	88	185	(95)
Interest and other	60	(32)	(35)	(36)	(38)	(131)	(45)	(35)
Net and comprehensive income (loss)	(3)	23	(279)	(178)	198	(43)	141	(130)
Basic and diluted income (loss) per share	(0.000)	0.000	(0.002)	(0.001)	0.001	(0.000)	0.001	(0.001)
Weighted average shares o/s-period	137,623	137,623	137,623	137,623	137,623	137,623	135,863	135,823
<b>CASH FLOW INFORMATION</b>								
Operating activities before chgs in NCWCB's*	(32)	80	(197)	(130)	247	98	194	(85)
Changes in NCWCB's*	35	(237)	199	150	(218)	82	37	76
Net Operating activities	4	(157)	2	19	29	180	232	(9)
Investing activities	-	-	-	-	-	-	-	(4)
Financing activities	(50)	(84)	(84)	(68)	(68)	(68)	(96)	(36)
Net cash flow	(46)	(241)	(82)	(49)	(39)	112	136	(48)
Cash, beginning of period	336	578	660	709	748	636	500	549
Cash, end of period	290	336	578	660	709	748	636	500
*NCWCB's=non cash working capital balances								
<b>BALANCE SHEET INFORMATION</b>								
Cash on hand	290	336	578	660	709	748	636	500
Working capital	(933)	(957)	(958)	(386)	(165)	(323)	(301)	(399)
Working capital (excl unearned rev)	(77)	(3)	224	745	709	756	1,048	760
Total assets	894	1,110	1,336	1,594	1,569	1,607	1,891	1,613
Shareholders' deficit	(1,308)	(1,323)	(1,358)	(1,113)	(936)	(1,135)	(1,136)	(1,295)

## COMPARISON OF KEY QUARTERLY RESULTS

Last 8 Quarters of Revenue and Project Bookings ('000)



Last 8 Quarters of Operational Spending ('000)



## TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders of the Company holding greater than 10% of total outstanding shares of the Company, as well as any close family members and enterprises controlled by these individuals. Related parties also include current and former key management personnel and the Board of Directors. As at **January 17, 2023** only Company CEO and President, David McPhail holds (12.5%), through an entity he controls, more than 10% of the total outstanding shares of the Company.

During the year ended September 30, 2022 key management personnel consisting of directors and senior management (C.E.O. and C.F.O.) received a total of \$469,532 in salaries, benefits and directors' fees (2021 - \$395,996) as well as stock-based compensation valued (Black-Scholes) at \$64,466 (2021 - \$Nil).

As at September 30, 2022, the balance of loans and advances to the Company from key management personnel totalled \$163 thousand (before present value adjustment). An enterprise controlled by Company CEO and President, David McPhail is owed \$103 thousand, \$87 thousand for unpaid management fees between July 2010 and June 2011 and \$16 thousand as part of the G&G financing arrangement. An enterprise controlled by a former key management employee is owed \$52 thousand for unpaid management fees between July 2009 and April 2010. Company CFO, Ed Crymble is owed \$9 thousand as part of the G&G financing arrangement.

The Company has engaged Lindsey MacCarthy LLP ("LMLLP") to manage its corporate legal matters. Joe Brennan is both a lawyer at LMLLP and a Director of the Company. During fiscal 2022, the Company incurred \$11 thousand in legal fees from LMLLP (2021 fiscal year - \$23 thousand). Directors' fees of \$36 thousand were expensed in fiscal 2022 (2021 fiscal year- \$36K) and a total of \$64 thousand in stock-based compensation was expensed for options issued management and Directors (2021 - \$Nil).

## SELECTED FOURTH QUARTER INFORMATION

For the three months ended September 30 (Canadian dollars - in thousands except per share performance)	2022	2021	% change	
Revenues	508	825	↓	38%
Gross margin	382	680	↓	44%
Operating expenses				
Development	87	148	↓	41%
Selling and marketing	169	166	↑	2%
Administration	208	168	↑	24%
(Loss) income from operations	(62)	236	↓	126%
Net and comprehensive (loss) income for the period	(3)	198	↓	102%
Basic and diluted (loss) income per share	(0.000)	0.001	↓	69%
Weighted average shares outstanding	137,623	137,623	↔	0%

## FOURTH QUARTER RESULTS OF OPERATIONS

### Revenues and Bookings

Q4-2022 revenue of \$508 thousand was \$317 thousand lower (38% ↓) than the same quarter in the prior year. Bookings for the fourth quarter of 2022 of \$270 thousand, were down \$260 thousand (49% ↓) from the same period in 2021. Closing backlog (bookings not delivered) of \$577 thousand, was up \$62 thousand (12% ↑) from September 30, 2021. Management, and the sales team specifically, continue to strive to backlog deliveries with new project bookings.

Although a portion of the bookings decline was anticipated because customers considering purchases prior to attending the IMTS tradeshow (held every other year in Chicago in September) hold off on placing their orders until after meeting with Company sales staff, but the magnitude of the Q4-2022 decline was not foreseen.

For the three month periods ended September 30 (In thousands of Canadian dollars)	2022	2021	% change	
Revenue for the Quarter	508	825	↓	38%
+ Backlog - end of period	577	515	↑	12%
- Backlog - beginning of period	(783)	(763)		
+ or - change in unearned service & maint fees	(32)	(47)		
Bookings for the Quarter	270	530	↓	49%

### Gross Margin and Cost of Sales

Gross margin for the three months ended September 30, 2022 of \$382 thousand is down \$298 thousand (44% ↓) from the same quarter a year ago. Calculated as a percentage of revenue, gross margin decreased 7.2% from Q4-2021. The total cost of direct labour in Q4-2022 of

\$79 thousand was down \$41 thousand (39% ↘) from Q4-2021, but nowhere near the level required to offset the substantial revenue decline.

### Operating Expenses

Total operating expenses for the three-month period ended September 30, 2022 of \$445 thousand were \$1 thousand higher than the same quarter in fiscal 2021. Non-direct labour as well as employee benefits spending was down \$191 thousand (55% ↘), which was offset by advertising and marketing spending up \$42 thousand (81% ↗) and an increase in occupancy cost of \$54 thousand. There was also a \$19 thousand (50% ↘) reduction in FX realization, and only minor fluctuations in the other line items.

The advertising and marketing spending increase relates entirely to IMTS and would have been down by almost 40% otherwise. The increase in occupancy cost relates to a prior year credit received in 2021 for overcharged common area costs in the years prior to 2021, with the 2022 amount being a more accurate reflection of the current non-rent portion of occupancy costs.

### Income (loss) from operations

The Company's loss from operations for the quarter of \$62 thousand was \$298 thousand (126% ↘) lower than the \$236 thousand operating income in the fourth quarter of 2021.

### Other transactions effecting net and comprehensive income (loss)

Interest and accretion recovery in the fourth quarter of 2022 of \$60 thousand related to an \$87 thousand benefit recognized from the present value adjustment made to the Company's Fed Dev IBI loan with the restructuring of the repayments. Prior to this adjustment the Company would have recognized a \$27 thousand charge for the quarter which is in line with the \$32 thousand charge recognized in the 4<sup>th</sup> quarter of 2021.

### Earnings per share

The basic and diluted income/loss per share of \$0.000 for the current quarter was based on a weighted average 137.6 million Common Shares outstanding (2021 – \$0.001 basic and diluted income per share based on the same weighted average 137.6 million Shares outstanding).

### COVID

**Health and safety** - The Company's office still remains closed to the general public (since March 2020) and management continues its broad work-from-home policy for staff, although office attendance by some staff has increased to 'occasional' from 'rarely'. The office is still sanitized regularly, and management strives to continue to provide a safe working environment for those workers who do attend the office on occasion. Management continues to review and comply with all government requirements surrounding workplace safety.

**Business and supply chain disruption** - The Company has secured inventory to meet its current sales demand, and all projected sales for the foreseeable future. Client services work and customer/prospect interactions continue to be undertaken remotely whenever possible.

**COVID's impact on the financial statements as presented** – Although believed to have affected the Company's financial results at the beginning of pandemic back in fiscal 2020, management believes that any effect initially experienced have diminished significantly over time, with the least effect in the most recent quarter(s), and current fiscal year. The exact effect on results, including those presented in its latest financial statements are still impossible to determine.

Management has considered the effects COVID on the assumptions used in the preparation of its latest financial statements, and believe that the assumptions used are appropriate to reflect the Company's performance.

**Risks and uncertainties to Memex due to COVID** - With some uncertainty still remaining over the present and future effects of COVID, some (prospective) customers may still be hesitant to invest in Memex's goods and services until their own operations stabilize.

### 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.

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. A complete summary of the Company's significant accounting policies can be found in the accompanying notes to its latest annual consolidated 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.

The Company enters into revenue arrangements that may consist of multiple deliverables ("Multiple-element arrangements") of software licensing, hardware, support service and installation. Except for software subscriptions and version upgrade rights, which are recognized over the periods to which the rights relate, revenue from arrangements involving multiple deliverables is recognized when collection is probable, and all elements have been delivered/completed. Revenue is allocated to each respective element based on its fair value.

The Company often requires a 40% deposit on multi-element arrangements as well as some contractual situations. Any deposits received are initially recorded as unearned revenue.

#### (a) Software licensing

The Company's software licensing revenue reflects sales to its clients primarily on a perpetual basis, where the customer receives an indefinite future right to use the software provided in accordance with the Company's terms of use. Unless the sale is part of a multiple-element arrangement, revenue from perpetual license sales is recognized once the software has been installed on client equipment, the amount of revenue can reliably be measured, and collection is reasonably certain. Software licensing revenue also includes software version upgrade rights, which are charged to licensed users annually and recognized as revenue after collection over the periods to which the upgrade rights relate. Amounts collected prior to being earned are recorded as unearned revenue.

Software licensing revenue also includes the sale of ongoing licensing rights, where the client maintains the right to use the software as long as they pay their periodic licensing fee. Revenue from the sale of ongoing licensing rights is recognized over the periods to which the licensing rights relate.

#### (b) Hardware

Unless part of a multiple-element arrangement, revenue from the sale of hardware products is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sale 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.

#### (c) Support services and installation

Unless part of a multiple-element arrangement, revenue from support services is recognized after the service has been provided and collection is probable. In instances where the Company invoices the client prior to performing 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 installation, configuration and support.

### Financial Instruments

#### (a) Financial assets

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Trade and other receivables held for collection of contractual cash flows are measured at amortized cost.

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive income (loss).

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company does not measure any financial assets at FVPL.

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Company has transferred substantially all the risk and rewards of ownership of the assets. Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized.

(b) **Financial liabilities**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and long-term liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive income (loss).

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive income (loss).

**Asset impairment**

(a) **Financial assets**

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

(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.

**Leases**

The Company's lease is measured at the discounted present value of the remaining minimum lease payments at its weighted average incremental borrowing rate. A contract is a lease (or may contain a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Amortization is recognized on the right-of-use asset over the lesser of the lease term and the asset's useful life. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Research and development expense**

Since becoming a reporting issuer in October 2013, all expenses related to research and development activities have been expensed as incurred.

Development costs of certain hardware components incurred prior to becoming a reporting issuer, net of investment tax credits, were capitalized as deferred development costs. These costs are being amortized over their estimated product life estimated to be 2024.

**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 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.

### Refinancing of maturing long-term debt

Memex management and the Strategic Review Committee (independent members of Memex's Board of Directors) are looking for refinancing alternatives for the G&G loan with the goal to have this debt either extended or renewed prior to its maturity in March 2023.

If Memex is unable to extend the term of the G&G Loan, or source alternative financing to repay the G&G Loan prior to its maturity it will be in default, and the lenders will be entitled to pursue all remedies available to them under the terms of that loan including but not limited to, enforcing on its security and seizing all of the assets of Memex. Such an event would have a material adverse effect on the business, operations and capital of Memex and could lead to the suspension of operations. There can be no guarantee that Memex will be able to extend the term of the G&G Loan or source alternative financing. Further, in the event that Memex is able to extend the term of the G&G Loan or source alternative financing, there is no guarantee that such the terms of the extension or the alternative financing will be on terms favourable to Memex or its shareholders.

### History of losses and the inability to achieve or sustain profitability

Although the Company showed a profit for the year ended September 30, 2021 it was preceded by net losses for the years ended September 30, 2012 through 2020. There is no certainty that the Company will become profitable beyond fiscal 2022 or if it will incur net losses in 2023 and beyond.

The Company expects to continue to incur product development, sales and marketing expenses, 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.

### No assurance that cash flow from operations, debt or equity financing will be available

The Company anticipates continuing to make substantial operating expenditures as it implements its growth strategy. These operating expenditures 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. 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 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. Readers are encouraged to review Note 1 – 'Nature of business and going concern' to its most recent financial statements.

### 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. 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, 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 expertise, 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 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. The Company does business and sells primarily into foreign markets, primarily the United States of America, with virtually all of its sales and most of its sales and marketing spending taking place in US dollars. The Company does not currently 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 14.3%. 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.

#### **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.

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.

## 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.