Memex Inc.

Consolidated Financial Statements

For the years ended September 30, 2018 and 2017

MEMEX

Measuring Manufacturing Excellence™

MEMEX INC.

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For the years ended September 30, 2018 and 2017

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Independent Auditors' Report

To the Shareholders of Memex Inc.:

We have audited the accompanying consolidated financial statements of Memex Inc., which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Memex Inc. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Memex Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

January 9, 2019 | Licensed Public Accountants

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

As at		September 30, 2018	September 30, 2017
ASSETS			
Current Assets			
Cash		$ 1,047,657	$ 3,457,557
Trade and other receivables	Notes 4 & 12	576,910	448,783
Inventory	Note 5	299,484	155,206
Prepaid expenses		39,721	42,705
		1,963,772	4,104,251
Property and equipment	Note 6	112,471	124,434
Intangible assets	Note 7	242,939	293,544
		$ 2,319,182	$ 4,522,229
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	Note 8	$ 427,511	$ 564,006
Unearned revenue		717,482	713,314
Current portion of long-term liabilities	Note 9	96,000	36,000
		1,240,993	1,313,320
Long-term Liabilities	Notes 9 & 13	650,921	695,021
		1,891,914	2,008,341
SHAREHOLDERS' EQUITY	Note 10		
Capital stock		12,405,566	12,405,566
Warrants		684,598	684,598
Stock-based compensation reserve		506,857	368,980
Contributed surplus		1,317,193	1,288,035
Deficit		(14,486,946)	(12,233,291)
		427,268	2,513,888
		$ 2,319,182	$ 4,522,229

Nature of business and going concern Note 1
Contractual obligations Note 11

APPROVED BY THE BOARD:

(signed) "David McPhail" Director

(signed) "Joe Brennan" Director

MEMEX INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Canadian dollars)

For the years ended		September 30, 2018	September 30, 2017
Revenue	Note 18	$ 2,852,746	$ 2,007,781
Cost of sales	Note 17		
Materials, assembly, installation		319,297	347,538
Customer service		539,952	547,281
		859,249	894,819
Gross margin		1,993,497	1,112,962
Operating expenses	Notes 10, 13 & 17		
Development		833,497	958,491
Selling and marketing		2,291,692	2,608,192
Administration		1,103,665	1,451,395
Loss (Gain) on foreign exchange		(33,602)	65,345
		4,195,252	5,083,423
Loss from operations		(2,201,755)	(3,970,461)
Interest and accretion	Note 9	(51,900)	(47,988)
Discount on interest-free loan	Note 9	-	34,439
Net and comprehensive loss for the year		$ (2,253,655)	$ (3,984,010)
Basic and diluted loss per share	Note 16	$ (0.017)	$ (0.034)

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

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

For the years ended		September 30, 2018	September 30, 2017
CASH FLOWS FROM (USED FOR)			
Operating activities:			
Net and comprehensive loss for the year		$ (2,253,655)	$ (3,984,010)
Items not affecting cash from operations:			
Depreciation and amortization		85,293	96,516
Present value discount of interest-free loan		-	(34,439)
Accretion of interest-free loan		51,900	47,988
Stock based compensation		167,035	185,008
		(1,949,427)	(3,688,937)
Changes in non-cash working capital balances	Note 19	(401,748)	841,251
		(2,351,175)	(2,847,686)
Investing activities:			
Additions to property, equipment, intangible assets		(22,725)	(31,270)
Financing activities:			
(Repayment) increase of FedDev Ontario funding		(36,000)	80,000
Net proceeds from issuance of shares and warrants		-	3,357,519
		(36,000)	3,437,519
Net decrease in cash and cash equivalents		(2,409,900)	558,563
Cash and cash equivalents, beginning of year		3,457,557	2,898,994
Cash and cash equivalents, end of year		$ 1,047,657	$ 3,457,557

MEMEX INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Canadian dollars)

	Share Capital		Warrants	Stock based compensation reserve	Contributed Surplus	Deficit	Shareholders' Equity/ (Deficit)
	Number of Shares	Amount					
	Note 10						
Balance, October 1, 2016	112,344,116	$ 9,508,483	$ 651,802	$ 271,159	$ 773,208	$ (8,249,281)	$ 2,955,371
Issuance of common shares and warrants	17,820,000	2,283,452	567,748	-	-	-	2,851,200
Share issuance costs	-	(365,190)	116,850	-	-	-	(248,340)
Issuance of options - Directors, employees, other	-	-	-	185,008	-	-	185,008
Options exercised during the year	484,672	132,354	-	(40,420)	-	-	91,934
Options expired during the year	-	-	-	(46,767)	46,767	-	-
Warrants exercised during the year	3,508,095	846,467	(183,742)	-	-	-	662,725
Warrants expired during the year	-	-	(468,060)		468,060	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(3,984,010)	(3,984,010)
Balance, September 30, 2017	134,156,883	$ 12,405,566	$ 684,598	$ 368,980	$ 1,288,035	$ (12,233,291)	$ 2,513,888
Balance, October 1, 2017	134,156,883	$ 12,405,566	$ 684,598	$ 368,980	$ 1,288,035	$ (12,233,291)	$ 2,513,888
Issuance of options - Directors, employees, other	-	-	-	167,035	-	-	167,035
Options expired during the year	-	-	-	(29,158)	29,158	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(2,253,655)	(2,253,655)
Balance, September 30, 2018	134,156,883	$ 12,405,566	$ 684,598	$ 506,857	$ 1,317,193	$ (14,486,946)	$ 427,268

1. Nature of business and going concern

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

The Company is technology based and operates from its rented facilities in Burlington, Ontario. It develops, commercializes and manufactures a suite of products for its customers in the discrete manufacturing and aerospace sectors worldwide. The Company's registered office is located at 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9 and its head office is located at 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, 2018, 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 9, 2019.

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. The Company has incurred losses and negative operating cash flows since its inception. As of September 30, 2018, the Company has an accumulated deficit of $14,486,946 (2017 - $12,233,291) negative cash flows from operations of $ 2,351,175 (2017 - $2,847,686) and working capital of $722,779 (2017 – $2,790,931). Given its current working capital and the potential for further 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 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.

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

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

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognized in the 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 net income or loss and is provided on a declining-balance basis over the estimated useful life of the assets as follows:

Furniture and equipment	20%
Computer hardware	30%

(b) Intangible assets

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

Intangible assets also include development costs (net of research and development grants) that satisfy the criteria of IAS 38 for recognition as an intangible asset. Development costs are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. All intellectual property currently being utilized is considered to have a remaining useful life of 10 years and is being amortized over that time year on a straight-line basis.

(c) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

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

(d) Valuation of inventory

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

(e) Foreign currency translation

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

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

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

(i) Software

Revenue from software is recognized once it is installed on customer equipment. Software revenue also includes customer software upgrade rights, which are charged to customers annually and recognized as revenue over the periods to which the upgrade rights relate. These rights entitle customers access to the last released version of the software.

(ii) Support

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

(iii) Hardware and installation

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

(iv) Multiple-element arrangements

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

(h) Financial instruments

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

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

(i) Held-to-maturity financial assets

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

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

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

(iii) Loans and receivables

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

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

(iv) Other financial liabilities

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

(i) Sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the 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 cash generating units based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.

(ii) Useful lives of depreciable assets

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

(iii) Inventories

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

(iv) Allowance for doubtful accounts receivable

The Company provides for bad debts on a specific identification basis. Uncertainty relates to the actual collectivity of customer balances that can vary from the Company's estimation.

(j) 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.

(Canadian dollars)

(i) IFRS 9 - Financial Instruments

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

(ii) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 is effective for years beginning on or after January 1, 2018. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual year beginning October 1, 2018. The impact of adoption of IFRS 15 will have no effect on the Company's financial results as reported, however, will require additional disclosure breaking down of revenue by element.

(iii) IFRS 16 - Leases

IFRS 16 – Leases sets out a new model for lease accounting, replacing IAS 17. "Leases" and related interpretations. Under this new standard which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the consolidated statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for accounting years beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. The extent of the impct of IFRS has not yet been determined.

3. Investments - Shares in subsidiary undertakings

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

4. Trade and other receivables

As at September 30	2018	2017
Current	$ 375,107	$ 238,541
Over 30 days	47,746	19,582
Over 60 days	43,275	29,609
Over 90 days	132,245	233,005
Less: specific allowance	(26,603)	(79,793)
	571,770	440,944
Other receivables	5,140	7,839
	$ 576,910	$ 448,783

5. Inventory

As at September 30	2018	2017
Finished goods and component parts	$ 177,767	$ 143,099
Work-in-process	130,605	35,127
Less: provision for slow moving and obsolete	(8,888)	(5,862)
	$ 299,484	$ 155,206

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

(Canadian dollars)

6. Property and equipment

	Furniture and Equipment	Computer Hardware	Total
Cost			
Balance at October 1, 2016	$ 130,927	$ 138,900	$ 269,827
Additions	4,307	26,963	31,270
Balance at September 30, 2017	$ 135,234	$ 165,863	$ 301,097
Additions	12,260	10,465	22,725
Balance at September 30, 2018	$ 147,494	$ 176,328	$ 323,822
Accumulated depreciation			
Balance at October 1, 2016	$ 67,792	$ 71,570	$ 139,362
Depreciation expense	13,057	24,244	37,301
Balance September 30, 2017	$ 80,849	$ 95,814	$ 176,663
Depreciation expense	12,103	22,585	34,688
Balance at September 30, 2018	$ 92,952	$ 118,399	$ 211,351
Carrying amounts			
As at September 30, 2017	$ 54,385	$ 70,049	$ 124,434
As at September 30, 2018	$ 54,542	$ 57,929	$ 112,471

7. Intangible assets

	Computer Software	Development Costs	Total
Cost			
Balance at October 1, 2016, September 30, 2017 and September 30, 2018	$ 93,625	$ 520,471	$ 614,096
Accumulated amortization			
Balance at October 1, 2016	$ 64,786	$ 196,551	$ 261,337
Amortization expense	18,725	40,490	59,215
Balance September 30, 2017	$ 83,511	$ 237,041	$ 320,552
Amortization expense	10,114	40,491	50,605
Balance at September 30, 2018	$ 93,625	$ 277,532	$ 371,157
Carrying amounts			
As at September 30, 2017	$ 10,114	$ 283,430	$ 293,544
As at September 30, 2018	$ -	$ 242,939	$ 242,939

8. Accounts payable and accrued liabilities

As at September 30	2018	2017
Trade payables	$ 380,190	$ 487,736
Government remittances	47,321	76,270
	$ 427,511	$ 564,006

9. Long-term liabilities

As at September 30	2018	2017
IBI term loan (net of present value discount) (a)	$ 512,608	$ 556,708
Payable to Company Officers (b)	138,313	138,313
	$ 650,921	$ 695,021

(a) IBI term loan

As at September 30	2018	2017
Total funds advanced and repayable	$ 764,000	$ 800,000
Less: Present value discount	155,392	207,292
	$ 608,608	$ 592,708
Less: Current portion	96,000	36,000
	$ 512,608	$ 556,708

(Canadian dollars)

The loan is valued at the present value of anticipated future repayments of the funds advanced, at each reporting date using a discount rate of 9%, which represents the estimated borrowing rate to the Company for a similar loan and anticipated repayment terms. Repayment of all advances received commenced October 2017.

(b) Payable to company officers

As at September 30	2018	2017
Remuneration to Company Officers	$ 138,313	$ 138,313

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

(c) Current portion of long-term liabilities

Approximate principal repayments are as follows:

Year	$
From October 1, 2018 until September 30, 2019	96,000
From October 1, 2019 until September 30, 2020	168,000
From October 1, 2020 until September 30, 2021	168,000
From October 1, 2021 until September 30, 2022	168,000
From October 1, 2022 until September 30, 2023	164,000

10. Share capital and reserves

(a) Authorized share capital

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

(b) Common Shares issued and outstanding

As at September 30:	2018		2017	
	Number	$	Number	$
Outstanding, beginning of year	134,156,883	$ 12,405,566	112,344,116	$ 9,508,483
Issued during the year	-	-	21,812,767	2,897,083
Outstanding, end of year	134,156,883	$ 12,405,566	134,156,883	$ 12,405,566

(c) Preferred shares issued and outstanding

The Company has never issued preferred shares.

(d) Capital transactions

(i) For the year ended September 30, 2018

There have been no transactions.

(ii) For the year ended September 30, 2017

September 26, 2017

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

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

Exercised warrants and options

For the year ended September 30, 2017 a total of 3,508,095 Warrants were redeemed and 484,672 stock-based compensation options ("Stock Options" or "Options") were exercised for total cash proceeds of $754,659.

(Canadian dollars)

(e) Warrants transactions

(i) For the year ended September 30, 2018

There were not transactions.

(ii) For the year ended September 30, 2017

September 26, 2017

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

Redeemed, issued and expired warrants

For the year ended September 30, 2017 a total of 3,508,095 Warrants were redeemed for cash proceeds of $662,725. A total of 625,251 Warrants, with a redemption price of $0.25 and an expiry of June 2, 2017 were issued in connection with the June 2015 private placement in which the Company issued 1,822,560 Unit Warrants to the agents for that placement. For every two $0.15 Warrants redeemed from this initial issue each agent was issued one $0.25 Warrant. These Warrants were valued at $33,702 (Black-Scholes: expected life to June 2, 2017, average risk-free rate of 0.67%, expected dividend yield of 0% and expected volatility of 100%).

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

The following table reflects the Warrants issued and outstanding as at September 30, 2018:

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

(f) Stock-based compensation reserve

(i) For the year ended September 30, 2018

1. Options issued to Employees

By unanimous resolution on January 19, 2018, the Board of Directors approved the issuance of a total of 337,300 stock-based compensation Options, exercisable at $0.125 per option and valued at $29,200 (Black-Scholes: expected life of two (87,300) and five (250,000) years, risk free rate of 1.8% (2-year) and 2.02% (5-year), expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 87,300 of the options vesting immediately upon issue and expiring January 19, 2020, 125,000 of the Options vesting on January 19, 2020 and expiring January 19, 2023, and the final 125,000 Options vesting January 19, 2021 and expiring January 19, 2023. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting year(s). A total of $12,437 was expensed during the current fiscal year. As of September 30, 2018, none of the Options had been exercised and 51,800 Options had expired.

2. Other stock-based compensation awards

On March 15, 2018, the Company extended their agreement with Sophic Capital Inc.("Sophic"), an investor relations firm, for a third year ending December 31, 2018. As part of the renewal agreement, on March 15, 2018, the Company issued Sophic a total of 500,000 Options to purchase Common Shares of the Company at $0.07 per share, with one quarter (125,000) of the Options vesting each quarter commencing June 2018 and finishing March 2019. These Options were valued at $21,900 (Black-Scholes: expected life of three years, risk free rate of 1.9%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and March 15, 2021. The value of these Options is included in selling and marketing expenses over the vesting year(s). A total of $18,342 was expensed during the current fiscal year. On September 30, 2018, 125,000 of these Options were exercisable.

3. Options issued to Directors

By unanimous resolution, on August 17, 2018, the Board of Directors approved the issuance of a total of 1,500,000 Options, exercisable at $0.055 per Option and valued at $62,000 (Black-Scholes: expected life of five years, risk free rate of 2.19%, expected dividend yield of 0% and expected volatility of 100%). These Options were issued to each of the three non-Management Directors (500,000 to each) on that date. One-third (500,000) of these Options vested immediately upon issue, one-third will vest one year from issue and the remaining third vest two years from the date of issue, with all Options expiring five years from the issue date or ninety days after the Director's relationship with the Company is severed. The value of these Options is included in administrative expenses over their vesting year(s). A total of $27,096 was expensed during the fourth quarter of the current fiscal year. As of September 30, 2018 500,000 of these Options had vested.

(ii) For the year ended September 30, 2017

1. Options issued to Employees

By unanimous resolution on January 5, 2017, the Board of Directors approved the issuance of a total of 724,000 stock-based compensation Options, exercisable at $0.25 per option and valued at $144,800 (Black-Scholes: expected life of two to five years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 50,000 of the options vesting immediately upon issue and expiring January 5, 2019, 337,000 of the Options vesting on January 5, 2019 and expiring January 5, 2022, and the final 337,000 Options vesting January 5, 2020 and expiring January 5, 2022. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting year(s). A total of $24,021 was expensed during the current fiscal year (2017 - $52,824). As of September 30, 2018, none of the Options had been exercised, and 242,700 Options had expired.

2. Other stock-based compensation awards

On January 7, 2017, the Company confirmed the second year of Sophic agreement. As part of the renewed agreement, on January 7, 2017, the Company issued Sophic a total of 250,000 Options to purchase Common Shares of the Company at $0.275 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2017 and finishing January 2018. These Options were valued at $42,500 (Black-Scholes: expected life of three years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 7, 2020. The value of these Options is included in selling and marketing expenses over the vesting year(s). A total of $6,907 was expensed during the current fiscal year (2017 - $35,593). On September 30, 2018, all of these Options were exercisable.

By unanimous resolution, on April 23, 2017, the Company issued employment consultants for the Company a total of 350,000 Options to purchase Common Shares of the Company at $0.195 per share, with 100,000 of the Options vesting immediately and 50,000 additional options vesting with each successful employee hire (to a maximum of 350,000 Options total). Whether vested or not, these Options will expire the earlier of three years from the date of issue or upon termination of the arrangement with the employment consultant. These Options were valued at $42,200 (Black-Scholes: expected life of three years, risk free rate of 0.81%, expected dividend yield of 0% and expected volatility of 100%). The value of these Options is recorded as administrative expenses over the vesting year(s). A total of $9,260 was expensed during the current fiscal year (2017 - $16,730). On September 30, 2018, 100,000 of these Options were exercisable.

3. Options issued to Senior Management

By unanimous resolution, on September 17, 2017, the Board of Directors approved the issuance of a total of 1,250,000 Options, exercisable at $0.18 per Option and valued at $168,000 (Black-Scholes: expected life of five years, risk free rate of 1.56%, expected dividend yield of 0% and expected volatility of 100%). These Options were issued to each of five Senior Management (250,000 to each) on that date. Half (625,000) of these Options vest two years from issue and the remaining half vest three years from the date of issue, with all Options expiring five years from the issue date or ninety days after the employer-employee relationship is severed with cause. The value of these Options is included in administrative expenses over their vesting year(s). A total of $42,268 was expensed during the current fiscal year (2017 - $15,795). None of these Options have vested.

During the current fiscal year there have been no Options exercised, and 1,946,560 have expired or been cancelled. A total of 484,672 Options were exercised for total proceeds of $91,934 during the fiscal year ended September 30, 2017, and a total of 751,475 Options expired.

(Canadian dollars)

The following table reflects the stock-based compensation Options issued and outstanding as at September 30, 2018:

Grant Date	*Expiry Date*	Exercise Price ($)	Options Outstanding
January 22, 2014	January 22, 2019	0.14	120,330
August 26, 2014	January 22, 2019	0.125	120,330
February 23, 2015	February 23, 2020	0.15	1,000,000
December 15, 2015	December 15, 2018	0.12	186,000
January 1, 2016	January 1, 2019	0.18	250,000
February 26, 2016	February 26, 2021	0.14	240,000
June 27, 2016	June 27, 2021	0.135	450,000
January 5, 2017	January 5, 2019	0.25	32,300
January 5, 2017	January 5, 2022	0.25	449,000
January 7, 2017	January 7, 2020	0.275	250,000
April 23, 2017	April 23, 2020	0.195	350,000
September 5, 2017	September 5, 2022	0.18	1,250,000
January 19, 2018	January 19, 2020	0.125	55,500
January 19, 2018	January 19, 2023	0.125	230,000
March 15, 2018	March 15, 2021	0.07	500,000
August 17, 2018	August 17, 2023	0.055	1,500,000
			6,983,460

11. Contractual obligations

On September 1, 2017 and 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 vary inconsistently from year to year over the lease term. The total payments to be made over the term of the lease are being recognized as an expense over the lease term based upon an implied annual three percent increase in rent from year to year. The difference between the cumulative lease payments and the cumulative rental expense is included in the Company's accrued liabilities. At September 30, 2018 this amounted to $24,170.

Future minimum lease payments are summarized below (these amounts do not include the cost of utilities which are based upon actual usage):

Year	$
From October 1, 2018 until September 30, 2019	62,019
From October 1, 2019 until September 30, 2020	77800
From October 1, 2020 until September 30, 2021	90,700
From October 1, 2021 until September 30, 2022	93,388
From October 1, 2022 until September 30, 2023	101,988
After September 30, 2023	185,600

12. Financial instruments

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

(a) Liquidity risk

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. As of September 30, 2018, $132,245 of accounts receivable were greater than 90 days (September 30, 2017 - $233,005).

(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, 2018, 93.1% of the Company's sales were in US dollars (fiscal 2017 - 95.6%). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As of September 30, 2018, cash and cash equivalents, trade receivables and accounts payable of $314,813, $477,143 and $ 64,516 respectively (2017 - $545,078, $410,361 and $29,431 respectively) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.29 (2017 - 1.25). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive loss by approximately $36,000.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Given the current composition of long-term debt, fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to a cash flow risk. A one-percent (1%) increase or decrease in interest rates would not have a material effect on the Company's operating results.

(iii) Other price risk

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

13. Related party transactions and balances

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

For the years ended September 30	2018	2017
Salaries, benefits and directors' fees	$ 896,894	$ 879,803

Amounts owing to key management personnel included in long-term liabilities at September 30, 2018 totaled $ 138,313, unchanged from September 30, 2017. There were no amounts receivable from any key management, Company Officers, Directors or other related parties on these dates.

For the year ended September 30, 2018, the non-Executive Officer Directors received $18,000 for their services to the Company. In addition, $30,788 relating to stock-based compensation was recognized for the current fiscal year (for year ended September 30, 2017 - $16,000 plus $11,522 in stock-based compensation).

A partner at Nerland Lindsey LLP ("NLLLP") 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, 2018, the Company has incurred a total of $7,758 (year ended September 30, 2017 - $91,734) in legal fees from NLLLP.

For the year ended September 30, 2018, the Company paid $28,181 (year ended September 30, 2017 - $17,482) to Gladstone's Inc. for the creation and production of sales and marketing materials, as well as for other general marketing products and services. Gladstone's Inc. is owned by the spouse of the President, C.E.O. and Chairman of the Board.

14. Capital management

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

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

(Canadian dollars)

September 30, 2018 or the year ended September 30, 2017.

15. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately $14,500,000 (as of September 30, 2017 - $12,300,000) of which $13,400,000 (as of September 30, 2017 – $10,700,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2039, and most of the remaining differences may be carried forward indefinitely.

16. Earnings per share and dividends per share

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the years ended September 30, 2018 and 2017 were based on a net and comprehensive losses of 2018 - $2,253,655 and 2017 – $3,984,010 respectively, and a weighted average number of Shares outstanding of 2018 - 134,156,883 and 2017 – 115,810,778 respectively.

(b) Dividends

There were no dividends declared or paid by the Company in the year ended September 30, 2018 or the year ended September 30, 2017. After the respective reporting dates, there have been no dividends proposed by the directors.

17. Analysis of expenses by nature

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

(a) Cost of sales

For the years ended September 30	2018	2017
Materials	$ 176,816	$ 224,165
Direct labour	475,852	512,870
Other direct costs	166,091	117,294
Amortization	40,490	40,490
	$ 859,249	$ 894,819

(b) Operating expenses

For the years ended September 30	2018	2017
Labour and benefits	$ 2,505,810	$ 2,976,957
Advertising and marketing	528,269	554,410
Office and other miscellaneous	152,763	294,433
Bad debts	13,109	51,836
Insurance	30,768	33,162
Professional fees	59,795	107,505
Occupancy	144,024	162,843
Communications and support	87,101	122,015
Depreciation and amortization	44,803	56,026
Travel	439,539	428,586
Stock-based compensation	167,035	185,008
Development costs	55,838	45,297
Net (gain) loss on foreign exchange	(33,602)	65,345
	$ 4,195,252	$ 5,083,423

18. Segmented information

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

For the years September 30	2018		2017	
	%	Revenue	%	Revenue
Canada	6.9	$ 197,785	4.4	$ 89,115
United States	91.3	2,604,131	90.4	1,814,973
Other	1.8	50,830	5.1	103,693
		$ 2,852,746		$ 2,007,781

(Canadian dollars)

19. Additional cash flows information

Changes in non-cash working capital items consist of:

For the years ended September 30	2018	2017
Trade and other receivables	$ (128,127)	$ 656,801
Inventory	(144,278)	(10,913)
Prepaid expenses	2,984	(35,309)
Accounts payable and accrued liabilities	(136,495)	255,207
Unearned revenue	4,168	(24,535)
	$ (401,748)	$ 841,251

Memex Inc.

Management's Discussion and Analysis

For the years ended September 30, 2018 and 2017

MEMEX

Measuring Manufacturing Excellence™

Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Memex Inc. ("Memex" or the "Company") should be read in conjunction with the consolidated financial statements of the Company and the related notes for the years ended September 30, 2018 and 2017. The MD&A is prepared as at **January 9, 2019** and is current to that date unless otherwise stated. The consolidated financial statements and extracts of those financial statements provided within this MD&A, except as otherwise stated ("Other Financial Measures") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF MEMEX

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

Memex'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 is also growing network of resellers, system integrators and Original Equipment Manufacturers ("OEM's") to expand its global sales footprint.

MERLIN delivers a 10%-50% average productivity increase and typically earns 20%-plus profit improvement on a 10% increase in OEE. It consistently achieves payback in less than four months with an Internal Rate of Return ("IRR") greater than 300%, and connects to any machine, old or new, utilizing native MTConnect or hardware adapters for older machines.

SIGNIFICANT HIGHLIGHTS

- Memex reported $2.85 million in revenue for the year and $1.08 million for the quarter ended September 30, 2018.; this compares to $2.01 million for the year and $626 thousand for the quarter ended September 30, 2017 and represents a 42% year-over-year improvement and a 72% quarter-over-quarter increase.
- Q4-2018 revenue was the highest quarterly level ever reported, and the first time over the million-dollar level.
- Bookings for the year totalled $2.75 million, up 16% from a year ago.
- The Company finished the year with $1.10 million in project backlog, $211 thousand less than a year ago, and $680 thousand less than the end of Q3-2018.
- Memex's cash consumed from operations in Q4-2018 (before changes in non-cash items) was $22 thousand, the lowest quarterly consumption in the Company's history.
- Record bookings were achieved in Q1-2019, ending December 31st, 2018 of just over $1.0 million. These strong bookings came on the back of participation at the International Manufacturing Technology Show ("IMTS") in Chicago in September which continues to draw increased interest through inquires and requests for demos and more information about MERLIN Tempus.

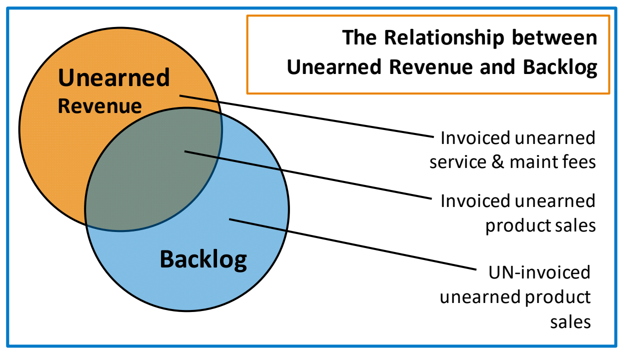
- The evolution of Tempus has continued with the development of add-on feature, MERLIN Performance Management Model ("MPMM"), available for use with the latest version release. MPMM is designed to leverage existing Continuous Improvement ("CI") resources and expertise to quickly identify and target CI initiatives enterprise wide.
- Memex has developed relationships with several large Enterprise Resource Planning ("ERP") solutions providers to seamlessly integrate MERLIN Tempus with leading ERP systems and provide unparalleled shop floor to top floor visibility. This capability has already resulted in several new customer wins and the expansion of existing customer deployments.

OTHER FINANCIAL MEASURES

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

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

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



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

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

Bookings = Revenue + Ending backlog - Beginning backlog + or - Changes in unearned service & maintenance fees

OVERALL PERFORMANCE

Memex reported $2.85 million in revenue for the year ended September 30, 2018 compared to $2.01 million in total revenue a year-ago, an increase of 42%;

The Company showed a $2.2 million net and comprehensive loss for 2018, equating to an $0.017 loss per share, compared to a $3.98 million net and comprehensive loss for fiscal 2017, and a $0.034 loss per share;

Bookings for the year totalled $2.75 million versus $2.37 million a year ago, up 16%;

Gross margin percentage for the period of 69.9% is up from 55.4% experienced in fiscal 2017;

Cash consumed from operating activities (before changes in working capital balances) was $1.95 million for the year, down $1.74 million (47%) from the same period last year; and

The Company had $723 thousand in working capital including $1.05 million in cash at September 30, 2018, as compared with $2.79 million in working capital and $3.46 million in cash at September 30, 2017.

SELECTED ANNUAL INFORMATION

For the years ended September 30 (Canadian dollars - in thousands except per share performance)	2018	2017		% change
Revenues	2,853	2,008	↑	42%
Gross margin	1,993	1,113	↑	79%
Operating expenses				
Development	833	958	↓	13%
Selling and marketing	2,292	2,608	↓	12%
Administration	1,104	1,451	↓	24%
Loss from operations	(2,202)	(3,970)	↓	45%
Net and comprehensive loss for the period	(2,254)	(3,984)	↓	43%
Basic and diluted loss per share	(0.017)	(0.034)	↓	49%
Weighted average shares outstanding	134,157	115,811	↑	16%
Actual shares outstanding	134,157	134,157	↔	0%

RESULTS OF OPERATIONS

Revenues and Bookings

Fiscal 2018 revenue of $2.85 million was an $845 thousand (42%) increase over revenue recognized in fiscal 2017.

Bookings for the year of $2.75 million, were up $380 thousand, or 16%, from the same period in 2017. Bookings represent the committed future business that the sales team has secured for future delivery. Closing backlog, the bookings not delivered, was down by $211 thousand from September 30, 2017.

As outlined in the 'Other Financial Measures' section, there is no IFRS method to recognize any portion of the 'partially' completed/delivered backlog, which varies between reporting periods, which in turn makes it difficult to benchmark the Company's progress.

Bookings for the year ended September 30 (In thousands of Canadian dollars)	2018	2017		% change
Revenue for the period	2,853	2,008	↑	42%
+ Backlog - end of period	1,100	1,311	↓	16%
- Backlog - beginning of period	(1,311)	(848)		
+ or - change in unearned service & maint fees	109	(100)		
Bookings for the period	2,751	2,371	↑	16%

Gross Margin and Cost of Sales

Gross margin for the year ended September 30, 2018 of $1.99 million is up $880 thousand, or 79% from a year ago. Calculated as a percentage of revenue, gross margin increased to 69.9% from 55.4% in 2017. The Company sold roughly 21% less hardware in fiscal 2018 from 2017 (there was virtually no change in the material costs of its hardware, and costs were down 21% from FY2017) which would represent 11% of the 14.5% margin percentage improvement.

The balance of the margin percentage increase reflects efficiency improvements in labour. Although the longer the timeframe (i.e. from year to year vs quarter to quarter) the less effect the Company's accounting practice will sway on overall results, the practice of expensing direct labour costs as they are incurred (versus trying to match them with the recognition of individual project revenues) pushes margin percentages higher as total revenue increases. Further Memex cut its overall direct labour cost by 7% in 2018 (relative to 2017) to $476 thousand from $513 thousand in fiscal 2017 relative to a 2% increase in revenue.

Operating Expenses

Operating expenses for the year ended September 30, 2018 of $4.20 million were $888 thousand less than in fiscal 2017. The most noticeable reductions were within sales and marketing and administration, both detailed below.

Development
Development spending for the year ended September 30, 2018 was down 13%, or $125 thousand to $833 thousand from a year ago with virtually all of the spending decline relating to lower overall wage costs.

Selling and marketing
Selling and marketing expenses for the year ended September 30, 2018 of $2.29 million, were $316 thousand, or 12%, lower than in fiscal 2017. Labour spend was down $237 thousand for the year (averaged two less staff), but advertising and marketing spending was also down $87 thousand or 16% from 2017. Travel spending was up 6%.

Administration
Administrative expenses for the year ended September 30, 2018 were down 24%, or $347 thousand to $1.10 million from fiscal 2017. A combination of employment costs and administrative labour spending was the biggest spending reduction, $206 thousand ($94K in recruiting fees), with other significant reductions being legal and other professional fees down $48 thousand, IT down $35K, bad debts down $39K.

Loss from operations
The Company's loss from operations for the year ended September 30, 2018 of $2.25 million, was 43% lower than the $3.98 million loss of a year ago.

Other transactions effecting net and comprehensive loss
The interest accretion relating to the IBI term loan of $52 thousand in the current year compares with $14 thousand (net) charge in 2017. These adjustments are the result of the zero-interest-rate funding received through FedDev in the reporting periods, which must be present value adjusted based upon the Company's effective borrowing rate.

Earnings per share
The basic and diluted loss per share of $0.017 for current year was based on a weighted average 134.2 million Common Shares outstanding (YTD 2017 – $0.034 basic and diluted loss per share based on a weighted average 115.8 million Shares outstanding).

SUMMARY OF QUARTERLY RESULTS

As at and for the three month periods ending (In thousands except per share amounts)	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
OPERATIONS INFORMATION								
Bookings	420	1,039	632	660	365	1,041	572	393
Decrease (increase) in backlog	656	(389)	132	(298)	262	(512)	(225)	112
Revenue	1,077	650	764	362	626	529	348	505
Cost of sales	195	236	221	207	210	230	236	218
Gross margin	882	414	543	155	416	299	112	287
Gross margin percentage	81.9%	63.8%	71.0%	42.7%	66.4%	56.5%	32.2%	56.7%
Operating expenses								
Development	206	207	199	222	222	232	250	255
Selling and marketing	507	609	521	654	696	793	601	517
Administration	208	292	347	256	323	313	486	330
Foreign exchange	17	(20)	(25)	(5)	43	27	25	(30)
Total operating expenses	939	1,088	1,041	1,127	1,284	1,364	1,362	1,073
Loss from Operations	(57)	(674)	(498)	(972)	(868)	(1,066)	(1,250)	(786)
Interest and other	13	13	13	13	13	12	12	(24)
Net and comprehensive loss	(70)	(687)	(511)	(985)	(881)	(1,078)	(1,263)	(763)
Basic and diluted loss per share	(0.001)	(0.005)	(0.004)	(0.007)	(0.008)	(0.009)	(0.011)	(0.007)
Weighted average shares o/s-period	134,157	134,157	134,157	134,157	117,120	116,314	116,029	113,785
Shares outstanding-period end	134,157	134,157	134,157	134,157	134,157	116,337	116,207	115,304
CASH FLOW INFORMATION								
Operating activities before chgs in NCWCB's*	(22)	(610)	(416)	(901)	(779)	(1,006)	(1,172)	(733)
Changes in NCWCB's*	(371)	317	(261)	(86)	33	358	200	251
Net Operating activities	(393)	(294)	(677)	(987)	(746)	(647)	(972)	(482)
Investing activities	(15)	(7)	-	-	-	(3)	(21)	(7)
Financing activities	(9)	(9)	(9)	(9)	2,603	20	177	638
Net cash flow	(418)	(310)	(686)	(996)	1,857	(631)	(817)	150
Cash, beginning of period	1,465	1,775	2,461	3,458	1,601	2,232	3,049	2,899
Cash, end of period	1,048	1,465	1,775	2,461	3,458	1,601	2,232	3,049
*NCWCB's=non cash working capital balances								
BALANCE SHEET INFORMATION								
Working capital	723	784	1,426	1,866	2,791	976	1,974	2,999
Total assets	2,319	2,559	3,004	3,651	4,522	2,782	3,587	4,260
Shareholders' equity	427	483	1,125	1,577	2,514	727	1,749	2,781

LIQUIDITY

Working Capital

As at the September 30, 2018 the Company had working capital of $723 thousand, including $1.05 million in cash, as compared with $2.79 million in working capital and $3.46 million in cash at September 30, 2017.

There have been no financing activities in the current year, compared with the receipt of $3.36 million in 2017 from a private placement in Q4 as well as the exercise of stock options and redemption of warrants throughout the year.

During the year the Company repaid $36 thousand of the $800 thousand interest-free FedDev Ontario loan, as compared to receiving $80 thousand in funding in 2017.

The Company invested $31 thousand in capital equipment in 2017 versus only $23 thousand in the current year.

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

As at (Canadian dollars - in thousands except working capital ratio)	September 30, 2018	September 30, 2017		% change
Current assets	1,964	4,104	↓	52%
Total assets	2,319	4,522	↓	49%
Current liabilities	1,241	1,313	↓	5%
Long-term liabilities	651	695	↓	6%
Working capital*	723	2,791	↓	74%
Working capital ratio**	1.58 to 1	3.13 to 1		

*Working capital = current assets less current liabilities
**Working capital ratio = current assets / current liabilities

Liquidity risk

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

Foreign exchange risk

The Company's reporting currency is the Canadian dollar. Memex's operations are primarily 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 Canada. All quotes are prepared in US dollars. The Company includes the right to adjust quoted prices for significant fluctuations between the quoted currency and the Canadian dollar and is reviewed for foreign currency risk potential prior to issue, significantly reducing foreign currency exchange risk.

At September 30, 2018, the Company employed or otherwise contracted six full-time US residents. All other utilized labour is Canadian. Also, at September 30, 2018 the company possessed $728 thousand (net) in US denominated assets.

Credit risk

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

Cash and cash equivalents

Operating activities

Net cash consumed through operating activities for the year ended September 30, 2018 of $2.35 million is down 17% from fiscal 2017. Management continues to monitor the monthly cash consumption to ensure capital continues to be available to fund ongoing activities.

Investing activities

The Company made $23 thousand in capital additions in the current year, compared with a total of $31 thousand spent on capital additions during the period a year ago.

Financing activities

The Company repaid a total of $36 thousand in long-term financing from FedDev Ontario during the year.

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)	2018	2017		% change
Net Cash flows used in operating activities	2,351	2,848	↓	17%
Net Cash flows provided through (used) in investing activities	(23)	(31)	↓	26%
Net Cash flows provided by (used in) financing activities	(36)	3,438	↓	101%
Cash, beginning	3,458	2,899	↑	19%
Cash, end	1,048	3,458	↓	70%

Contractual obligations

The Company's lease of office space from Children's Financial Group Inc. extends to June 30, 2025. Future minimum lease payments for the years ending September 30th are 2019 - $58 thousand, 2020 - $74 thousand, 2021 - $91 thousand, 2022 - $91 thousand, 2023 - $101 thousand, 2024 – 104 thousand and 2025 - $108 thousand (these amounts do not include the cost of utilities which are based upon actual usage).

CAPITAL RESOURCES

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

Operating and other bank credit facilities

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

Outstanding share and other issued securities information

The following table shows the number of securities the Company has outstanding:

Thousands of securities outstanding as at	**September 30, 2018**	January 9, 2019
Common Shares	134,157	134,157
Options to purchase common shares by current and former directors and officers[1]	4,231	4,231
Options to purchase common shares by non-officer employees and contractors[1]	1,753	1,485
Options to purchase common shares by investor relations firms[1]	1,000	750
Warrants to purchase common shares by current and former directors and officers[2]	266	266
Warrants to purchase common shares by investors[2]	8,644	8,644
Agent's compensation Warrants to purchase common shares[2]	881	881

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

Transactions with Related Parties

Related parties include key management personnel, significant shareholders of the Company (those holding greater than 10% of the total outstanding shares), close family members and enterprises that are controlled by these individuals, as well as the Board of Directors of the Company. As at **January 9, 2019** only Company CEO and President, David McPhail (12.7%) owns (through an entity he controls) more than 10% of the total outstanding shares of the Company.

As at September 30, 2018, the balance of loans and advances to the Company from key management personnel totalled $138 thousand. An enterprise controlled by Company CEO and President, Dave McPhail is owed $87 thousand for unpaid management fees between July 2010 and June 2011, and an enterprise controlled by former Company Officer, John Rattray, is owed $51 thousand for unpaid management fees between July 2009 and April 2010.

The Company has engaged Nerland Lindsey LLP ("NLLLP") to manage its corporate legal matters. Joe Brennan is both a Partner at NLLLP and a member of the Company's Board of Directors. For the period ended September 30, 2018 the Company had incurred $8 thousand in legal fees from NLLLP (all of fiscal 2017 - $92 thousand).

Including Directors' fees of $18 thousand and the expensed value of non-vested stock options (Black-Scholes) of $31 thousand, Company Directors' compensation totaled $13 thousand for the period (2017 - $28 thousand).

The Company has engaged Gladstone's Inc. ("Gladstone's") to assist in the creation and production of sales and marketing materials, as well as provide general marketing services. Dave McPhail, President, C.E.O., and Chairman of the Board of the Company, is related (spouse) to the sole-shareholder of Gladstone's. The Company paid Gladstone's $28 thousand during the current period (2017 - $17 thousand) in fees.

FOURTH QUARTER RESULTS

For the three months ended September 30 (Canadian dollars - in thousands except per share performance)	2018	2017		% change
Revenues	1,077	626	↑	72%
Gross margin	882	416	↑	112%
Operating expenses				
Development	206	222	↓	7%
Selling and marketing	507	696	↓	27%
Administration	208	323	↓	36%
Loss from operations	(57)	(868)	↓	93%
Net and comprehensive loss for the period	(70)	(881)	↓	92%
Basic and diluted loss per share	(0.001)	(0.008)	↓	93%

Revenues and Bookings

Revenues for the fourth quarter ended September 30, 2018 were $1.08 million, up 72% or $451 thousand from Q4-2017, its best quarterly revenue showing ever and the first quarter exceeding $ 1.0 million in total revenue. There was no event outside normal business that lead to the revenue surge, however, the completion of several larger project (phase)s that had been partially implemented in prior quarter(s) was a factor.

The fourth quarter generated $420 thousand in new project bookings, $55 thousand higher than the same period a year ago, but down $619 thousand from Q3-2018. Interest in MERLIN throughout fiscal 2018 showed continuous interest growth, although as experienced in prior IMTS (September tradeshow held every other year) years, bookings were below the trend in Q4 as prospects considering investment held their orders until after the show.

Bookings for the three month periods ended September 30 (In thousands of Canadian dollars)	2018	2017		% change
Revenue for the Quarter	1,077	626	↑	72%
+ Backlog - end of period	1,100	1,311	↓	16%
- Backlog - beginning of period	(1,780)	(1,567)		
+ or - change in unearned service & maint fees	23	(6)		
Bookings for the Quarter	420	364	↑	15%

Gross Margin and Cost of Sales

Gross margin for the three-month period ended September 30, 2018 of $882 thousand is up $465 thousand, or 72% from the same period a year ago. Calculated as a percentage of revenue, gross margin increased from 66.5% in Q4-2017 to 81.9% in Q4-2018. Roughly $50 thousand, or 5% of the current quarter margin improvement relates to an inventory adjustment [to the physical count] made at year end. The Company estimates quarter-end inventory value between non-year-end quarters and adjusts to a physical count at each year end only.

Further, because client services labour is expensed as it is incurred (versus matching the expenses to project revenue recognition) the margin is greatly influenced by changes in revenue relative to labour. Labour made up 67% of the cost of sales in Q4 (2017-58%)

Operating Expenses

Operating expenses for the three-month period ended September 30, 2018 of $939 thousand were $345 thousand, or 27%, lower than the final quarter in fiscal 2017. Spending was down in all areas, although selling and marketing was the most significant.

Development

Development spending for the three-month period ended September 30, 2018 was down 7%, or $16 thousand to $206 thousand from the same period a year ago, the decrease being labour related.

Selling and marketing

Selling and marketing expenses for the three-month period ended September 30, 2018 of $507 thousand, were $189 thousand, or 27%, lower than the same time-frame in fiscal 2017. Labour costs were $175 thousand lower in the current quarter from the same period in fiscal 2017 and travel was down $16 thousand. Advertising and marketing costs were only up $5 thousand, even with the costs of IMTS tradeshow attendance.

Administration
Administrative expense for the three-month period ended September 30, 2018 was down 36%, or $115 thousand from the same period a year ago. Stock-based compensation ($46K), professional fees ($28K – higher in 2017 due to capital raise), IT, interest and other consulting (total $40K) were all down in the current quarter.

Loss from operations
The Company's loss from operations for the three-month period ended September 30, 2018 of $57 thousand, was 93% lower than the $868 thousand loss in Q4-2017, and $629 thousand lower than Q3-2018, its best quarterly result thus far.

Earnings per share
The basic and diluted loss per share of $0.001 for current quarter was based on a weighted average 134.2 million Common Shares outstanding (Q4-2017 – $0.008 basic and diluted loss per share based on a weighted average 117.1 million Shares outstanding).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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 consolidated financial statements for its latest year ended September 30, 2018.)

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

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

(a) Software
Revenue from software is recognized once it is installed on customer equipment. Software revenue also includes customer software upgrade rights, which are charged to customers annually and recognized as revenue over the periods to which the upgrade rights relate. These rights entitle customers access to the last released version of the software.

(b) Support
Revenue from support is recognized when the service is provided. In instances where the Company invoices the customer prior to performing the support service, the prebilling is recorded as unearned revenue.

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

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

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

(a) Held-to-maturity financial assets

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

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

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

(c) Loans and receivables

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

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

(d) Other financial liabilities

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

Asset impairment

(a) Financial assets

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

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

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

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

(b) Non-financial assets

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

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

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

Research and development expense

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 be coming a reporting issuer, net of investment tax credits, were capitalized as deferred development costs. These costs are being amortized over their estimated product life which has been estimated to be 2024.

Investment tax credits

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

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

Income taxes

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

RISKS AND UNCERTAINTIES TO THE COMPANY

There are several inherent risks associated with the business of the Company. The following are certain risk factors related to the business being carried on which should be carefully considered. It is believed that these are factors that could cause actual results to be different from expected and historical results, but the risks presented below may not be all of the risks that the Company may face. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Other sections of this MD&A include additional factors that could have an effect on the business and financial performance of the business of the Company.

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

Effects on revenue of customer speculation or knowledge of future product or feature releases

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

History of losses and the inability to achieve or sustain profitability

The Company showed a profit for the year ended September 30, 2011 followed by net losses for the years ended September 30, 2012 through 2018. There is no certainty that the Company will become profitable in the short term or if it will continue to incur net losses through 2019 and beyond.

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

IIoT software is a relatively new market

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

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

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

Retention of key personnel

The Company's performance is substantially dependent on the performance of its executive officers and key employees. The loss of the services of any of the Company's executive officers or other key employees could significantly harm its business. 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 know-how, trade secrets or other proprietary or confidential information will occur.

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

Intellectual property of others

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

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

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

Information technology systems and security

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

Failure to manage growth

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

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

Litigation

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

Sales forecasting

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

Foreign exchange

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

RISKS RELATED TO AN INVESTMENT IN COMMON SHARES OF THE COMPANY

Concentration of Voting Power

Many common shares of the Company are concentrated in the hands of the Company's Senior Management team and its Board of Directors, whose collective holdings currently total 14.0%. As a result, these shareholders may have a significant influence over any matters requiring shareholder approval, including the election of directors and significant corporate transactions such as a business combination, takeover proposal or other sale of the Company or its assets, for the foreseeable future.

In particular, because under the Alberta Business Corporations Act most amalgamations and certain business combination transactions, including a sale of all or substantially of the assets of the Company, would require approval by a majority of not less than two-thirds of the votes cast by the shareholders, and because the Senior Management team and its Board of Directors in combination with former Company Officers and Directors and a few shareholders, who are the former shareholders of the private company, Astrix Networks Inc. that was acquired by the Company in 2013 may collectively own more than two-thirds of the issued and outstanding common shares of the Company, collectively they would have significant influence over the outcome of such transactions. The concentration of voting power limits the ability to influence corporate matters and, as a result, the Company may take actions that some shareholders do not view as beneficial, including rejecting takeover proposals at a premium to the then-prevailing market price of the common shares of the Company. As a result, the market price of these common shares could be adversely affected.

Dilution and Future Sales of Common Shares

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

Unpredictability and Volatility of the Common Share Price

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

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

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

Dividends

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

Financial Market Turmoil

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

Economic Downturn in the Global Economy

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

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

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