Memex Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended June 30, 2017 and 2016

Measuring Manufacturing Excellence™

MEMEX INC.

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ADVISORY TO READER

I have prepared the condensed interim consolidated statements of financial position for **Memex Inc.** as at **June 30, 2017 and 2016**, and the condensed interim consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the **three and nine-month periods** then ended, and a summary of significant accounting policies and other explanatory information in my capacity as Chief Financial Officer for the company.

No independent firm of professional accountants has audited, reviewed, compiled, or otherwise attempted to verify the accuracy or completeness of these financial statements.

(signed) "Ed Crymble"

Ed Crymble, C.P.A.
Chief Financial Officer - Memex Inc.

MEMEX INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)

As at		**June 30, 2017** (Unaudited)	**September 30, 2016** (Audited)
ASSETS			
Current Assets			
Cash		$ 1,600,972	$ 2,898,994
Trade and other receivables	Note 4	615,998	1,105,584
Inventory	Note 5	95,950	144,293
Prepaid expenses		26,482	7,396
		2,339,402	4,156,267
Property and equipment	Note 6	133,760	130,465
Intangible assets	Note 7	308,347	352,759
		$ 2,781,509	$ 4,639,491
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	Note 8	$ 453,198	$ 308,799
Unearned revenue		883,230	737,849
Current portion of long-term liabilities	Note 9	27,000	-
		1,363,428	1,046,648
Long-term Liabilities	Note 9 & 13	691,381	637,472
		2,054,809	1,684,120
SHAREHOLDERS' EQUITY	Note 10		
Capital stock		10,487,304	9,508,483
Warrants		-	651,802
Stock-based compensation reserve		306,900	271,159
Contributed surplus		1,285,234	773,208
Deficit		(11,352,738)	(8,249,281)
		726,700	2,955,371
		$ 2,781,509	$ 4,639,491

APPROVED BY THE BOARD:

(signed) "David McPhail" Director

(signed) "Joe Brennan" Director

MEMEX INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited - Canadian dollars)

For the periods ended		Three Months June 30, 2017	Three Months June 30, 2016	Nine Months June 30, 2017	Nine Months June 30, 2016
Revenue		**$ 528,648**	$ 918,892	**$ 1,381,292**	$ 2,103,765
Cost of sales	Note 17				
Materials, assembly, installation		**92,601**	102,650	**274,612**	371,793
Customer service		**137,534**	150,135	**409,755**	385,468
		230,135	252,785	**684,367**	757,261
Gross margin		**298,513**	666,107	**696,925**	1,346,504
Operating expenses	Note 13 & 17				
Development		**231,959**	272,944	**736,787**	892,958
Selling and marketing		**792,968**	599,190	**1,911,755**	1,687,327
Administration		**312,797**	298,734	**1,128,867**	927,255
Loss (Gain) on foreign exchange		**26,705**	16,780	**22,064**	63,885
		1,364,429	1,187,648	**3,799,473**	3,571,425
Loss from operations		**(1,065,916)**	(521,541)	**(3,102,548)**	(2,224,921)
Interest and accretion	Note 9	**(12,368)**	(17,359)	**(35,348)**	(68,988)
Discount on interest-free loan	Note 9	**-**	18,315	**34,439**	140,932
Gain on settlement with the BDC		**-**	73,829	**-**	73,829
Net and comprehensive loss for the period		**$ (1,078,284)**	$ (446,756)	**$ (3,103,457)**	$ (2,079,148)
Basic and diluted loss per share	Note 16	$ (0.009)	$ (0.004)	$ (0.027)	$ (0.021)

MEMEX INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Canadian dollars)

For the periods ended		Three Months June 30, 2017	Three Months June 30, 2016	Nine Months June 30, 2017	Nine Months June 30, 2016
CASH FLOWS FROM (USED FOR)					
Operating activities:					
Net and comprehensive loss for the period		**$ (1,078,284)**	$ (446,756)	**$ (3,103,457)**	$ (2,079,148)
Items not affecting cash from operations:					
Depreciation and amortization		**24,359**	24,138	**72,387**	71,042
BDC accrued bonus interest, royalty, fees		**-**	29,165	**-**	36,265
Gain on settlement of BDC loan		**-**	(73,829)	**-**	(73,829)
Present value discount of interest-free loan		**-**	(18,315)	**(34,439)**	(140,932)
Accretion of interest-free loan		**12,368**	9,911	**35,348**	23,261
Stock based compensation		**35,990**	34,799	**120,127**	102,111
		(1,005,567)	(440,887)	**(2,910,034)**	(2,061,230)
Changes in non-cash working capital balances	Note 19	**358,070**	(261,533)	**808,623**	(243,792)
		(647,497)	(702,420)	**(2,101,411)**	(2,305,022)
Investing activities:					
Additions to property, equipment, intangible		**(3,082)**	(6,148)	**(31,270)**	(39,694)
		(3,082)	(6,148)	**(31,270)**	(39,694)
Financing activities:					
Increase of FedDev Ontario funding		**-**	41,899	**80,000**	345,688
Settlement/decerease of BDC loan		**-**	(294,857)	**-**	(342,857)
Net proceeds from issuance of shares and warrants		**19,500**	228,336	**754,659**	542,066
		19,500	(24,622)	**834,659**	544,897
Net (decrease) increase in cash and cash equivalents		**(631,079)**	(733,190)	**(1,298,022)**	(1,799,819)
Cash and cash equivalents, beginning of period		**2,232,051**	2,249,410	**2,898,994**	3,316,039
Cash and cash equivalents, end of period		**$ 1,600,972**	$ 1,516,220	**$ 1,600,972**	$ 1,516,220

MEMEX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Canadian dollars)

	Share Capital												
	Number of Shares Note 10		Amount		Warrants		Stock based compensation reserve		Contributed Surplus		Deficit		Total Shareholders' Equity/(Deficit)
Balance, October 1, 2015	98,059,655	$	6,130,481	$	1,521,140	$	257,117	$	593,034	$	(5,443,841)	$	3,057,931
Issuance of options - Directors, employees, other	-		-		-		102,111		-		-		102,111
Options exercised during the period	959,750		165,925		-		(69,706)		-		-		96,219
Options expired during the period	-		-		-		(16,232)		16,232		-		-
Warrants exercised during the period	2,983,685		599,034		(153,187)		-		-		-		445,847
Warrants expired during the period	-		-		(153,477)				153,477		-		-
Net and comprehensive loss for the period	-		-		-		-		-		(2,079,148)		(2,079,148)
Balance, June 30, 2016	102,003,090	$	6,895,440	$	1,214,476	$	273,290	$	762,743	$	(7,522,989)	$	1,622,960
Balance, October 1, 2016	112,344,116	$	9,508,483	$	651,802	$	271,159	$	773,208	$	(8,249,281)	$	2,955,371
Issuance of options - Directors, employees, other	-		-		-		120,127		-		-		120,127
Options exercised during the period	484,672		132,354		-		(40,420)		-		-		91,934
Options expired during the period	-		-		-		(43,966)		43,966		-		-
Warrants exercised during the period	3,508,095		846,467		(183,742)		-		-		-		662,725
Warrants expired during the period	-		-		(468,060)				468,060		-		-
Net and comprehensive loss for the period	-		-		-		-		-		(3,103,457)		(3,103,457)
Balance, June 30, 2017	116,336,883	$	10,487,304	$	-	$	306,900	$	1,285,234	$	(11,352,738)	$	726,700

The explanatory notes form an integral part of these consolidated financial statements.
See Advisory to Reader

(Canadian dollars)

1. Nature of business

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

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

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

These consolidated financial statements were approved and authorized for issue by management and the Board of Directors on **August 23, 2017**.

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

These unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended September 30, 2016. These condensed interim consolidated financial statements were prepared in compliance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), and therefore do not contain all the disclosures included in annual financial statements prepared under International Financial Reporting Standards ("IFRS"). Accordingly, these consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2016, which are available on SEDAR (www.sedar.com).

3. Investments - Shares in subsidiary undertakings

The Company owns all of the outstanding shares of Memex Automation Inc. (cost $100), Astrix Productivity Solutions Inc., (cost $100), Astrimex Management Inc. (cost $100), Astriconcept Properties Inc. (cost $100), Astrimex Manufacturing Inc. (cost $100), Memast Holding Inc. (cost $100) and Astrix Networks America Inc. (cost $10), whose results have been consolidated in these financial statements.

4. Trade and other receivables

	June 30, 2017	September 30, 2016
Current	$ 200,434	$ 383,391
Over 30 days	51,165	129,376
Over 60 days	70,638	85,065
Over 90 days	328,350	546,930
Less: specific allowance	(59,075)	(79,719)
	591,512	1,065,043
Other receivables	24,486	40,541
	$ 615,998	$ 1,105,584

5. Inventory

	June 30, 2017	September 30, 2016
Finished goods and component parts	$ 89,000	$ 115,028
Work-in-process	12,000	32,500
Less: provision for slow moving and obsolete	(5,050)	(7,078)
	$ 95,950	$ 144,293

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, 2015	$ 129,818	$ 109,243	$ 239,061
Additions	1,109	29,657	30,766
Balance at September 30, 2016	$ 130,927	$ 138,900	$ 269,827
Additions	4,307	29,963	31,270
Balance at June 30, 2017	$ 135,234	$ 165,863	$ 301,097
Accumulated depreciation			
Balance at October 1, 2015	$ 52,147	$ 49,069	$ 101,216
Depreciation expense	15,645	22,501	38,146
Balance September 30, 2016	$ 67,792	$ 71,570	$ 139,362
Depreciation expense	9,792	18,183	27,975
Balance at June 30, 2017	$ 77,584	$ 89,753	$ 167,337
Carrying amounts			
As at September 30, 2016	$ 65,135	$ 67,330	$ 130,465
As at June 30, 2017	$ 57,650	$ 76,110	$ 133,760

7. Intangible assets

	Computer Software	Development Costs	Total
Cost			
Balance at October 1, 2015	$ 69,955	$ 520,471	$ 590,426
Additions	23,670	-	23,670
Balance at September 30, 2016	$ 93,625	$ 520,471	$ 614,096
Additions	-	-	-
Balance at June 30, 2017	$ 93,625	$ 520,471	$ 614,096
Accumulated amortization			
Balance at October 1, 2015	$ 46,062	$ 156,061	$ 202,123
Amortization expense	18,724	40,490	59,214
Balance September 30, 2016	$ 64,786	$ 196,551	$ 261,337
Amortization expense	14,044	30,368	44,412
Balance at June 30, 2017	$ 78,830	$ 226,919	$ 305,749
Carrying amounts			
As at September 30, 2016	$ 28,839	$ 323,920	$ 352,759
As at June 30, 2017	$ 14,795	$ 293,552	$ 308,347

8. Accounts payable and accrued liabilities

	June 30, 2017	September 30, 2016
Trade payables	$ 416,442	$ 244,979
Government remittances	36,756	63,820
	$ 453,198	$ 308,799

9. Long-term liabilities

	June 30, 2017	September 30, 2016
IBI term loan (net of present value discount) (a)	$ 553,068	$ 499,159
Payable to Company Officers (b)	138,313	138,313
	$ 691,381	$ 637,472

(Canadian dollars)

(a) IBI term loan

	June 30, 2017	September 30, 2016
Total funds advanced and repayable	$ 800,000	$ 720,000
Less: Present value discount	219,932	220,841
	$ 580,068	$ 499,159
Less: Current portion	27,000	-
	$ 553,068	$ 499,159

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

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 will commence October 2017.

(b) Payable to company officers

	June 30, 2017	September 30, 2016
Remuneration to Company Officers	$ 138,313	$ 138,313

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

(c) Current portion of long-term liabilities

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

Between July 1, 2017 and June 30, 2018	$ 27,000
Between July 1, 2018 and June 30, 2019	81,000
Between July 1, 2019 and June 30, 2020	150,000
Between July 1, 2020 and June 30, 2021	168,000
Between July 1, 2021 and June 30, 2022	168,000

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:	June 30, 2017		September 30, 2016	
	Number	Amount	Number	Amount
Outstanding, beginning of period	112,344,116	$ 9,508,483	98,059,655	$ 6,130,481
Issued during the year	3,992,767	978,821	14,284,461	3,378,002
Outstanding, end of period	116,336,883	$ 10,487,304	112,344,116	$ 9,508,483

(c) Preferred shares issued and outstanding

As of June 30, 2017, there have never been any Preferred Shares issued or outstanding.

(d) Capital transactions

(i) For the period ended June 30, 2017

Exercised warrants and options

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

(ii) For the year ended September 30, 2016
Exercised warrants and options
A total of 12,917,861 Warrants were redeemed and 1,366,600 stock-based compensation options ("Stock Options" or "Options") were exercised for total proceeds of $2,570,072.

(e) Warrants transactions

(i) For the period ended June 30, 2017
Redeemed, issued and expired warrants
A total of 3,508,095 Warrants were redeemed for cash proceeds of $662,725.

In Q1 – 2017 - 365,220, Q2-2017 – 210,031 and Q3 – 50,000 Warrants, all with a redemption price of $0.25 and an expiry of June 2, 2017 were issued in connection with the June 2015 private placement in which the Company issued 1,822,560 Unit Warrants to the agents for that placement. For every two $0.15 Warrants redeemed from this initial issued each agent was issued one $0.25 Warrant. These Warrants were valued at $33,702 (Black-Scholes: expected life to June 2, 2017, average risk-free rate of 0.67%, expected dividend yield of 0% and expected volatility of 100%).

On June 2, 2017, a total of 8,389.974 Warrants with a carrying value of $468,060 expired. *As of June 30, 2017, no Company Warrants were outstanding.*

(ii) For the year ended September 30, 2016
Redeemed, issued and expired warrants
A total of 12,917,861 Warrants were redeemed for proceeds of $2,418,122.

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

(f) Stock-based compensation reserve

(i) For the period ended June 30, 2017

1. Options issued to Employees
By unanimous resolution on January 5, 2017, the Board of Directors approved the issuance of a total of 724,000 stock-based compensation Options, exercisable at $0.25 per option and valued at $144,800 (Black-Scholes: expected life of two to five years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 50,000 of the options vesting immediately upon issue and expiring January 5, 2019, 337,000 of the Options vesting on January 5, 2019 and expiring January 5, 2022, and the final 337,000 Options vesting January 5, 2020 and expiring January 5, 2022. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting period(s). A total of $34,979 was expensed during the period.

2. Other stock-based compensation awards
On January 7, 2017, the Company confirmed the second year of Sophic Capital Inc.'s ("Sophic") agreement. Sophic, an investor relations firm, was originally engaged January 2016 to assist in the marketing and promotion of the Company. As part of the renewed agreement, on January 7, 2017 the Company issued Sophic a total of 250,000 Options to purchase Common Shares of the Company at $0.275 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2017 and finishing January 2018. These Options were valued at $42,500 (Black-Scholes: expected life of three years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 7, 2020. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of $27,271 was expensed during the period. On June 30, 2017, 62,500 of these Options were exercisable.

(ii) For the year ended September 30, 2016

1. Options issued to Employees
At its regularly scheduled meeting on December 15, 2015, the Board of Directors approved the issuance of a total of 186,000 stock-based compensation Options, exercisable at $0.12 per option and valued at $13,800 (Black-Scholes: expected life of three years, risk free rate of 0.55%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company. Half (93,000) of these Options vest on December 15, 2016 and the remaining half vest on December 15, 2017. All Options expire three years from the

(Canadian dollars)

issue date or ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting period(s). A total of $2,589 was expensed during the period ($10,352 was expensed during the year ended September 30, 2016).

By unanimous resolution on June 27, 2016, the Board of Directors approved the issuance of a total of 600,000 stock-based compensation Options, exercisable at $0.135 per option and valued at $60,100 (Black-Scholes: expected life of five years, risk free rate of 0.70%, expected dividend yield of 0% and expected volatility of 100%) were issued to non-management employees of the Company. Half (300,000) of these Options vest on June 27, 2018 and the remaining half vest on June 27, 2019. All Options expire five years from the issue date or ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in administrative expenses over their vesting period(s). A total of $12,699 was expensed during the period ($9,877 was expensed during the year ended September 30, 2016). A total of 150,000 options expired during the period (employee resignation).

2. Other stock-based compensation awards

On January 1, 2016, the Company engaged Sophic Capital Inc., an investor relations firm, to assist in the marketing and promotion of the Company. As part of the agreement the Company issued to them a total of 250,000 Options to purchase Common Shares of the Company at $0.18 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2016 and finishing January 2017. These Options were valued at $19,800 (Black-Scholes: expected life of three years and three months, risk free rate of 0.43%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 1, 2019. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of $3,216 was expensed during the period (Q1) ($16,584 was expensed during the year ended September 30, 2016). On June 30, 2017, all of these Options were exercisable.

3. Options issued to Directors

By unanimous resolution on February 26, 2016 of the Board of Directors approved the issuance of a total of 480,000 Options, exercisable at $0.14 per option, valued at $49,800 (Black-Scholes: expected life of five years, risk free rate of 0.67%, expected dividend yield of 0% and expected volatility of 100%) to four non-Executive Officer Directors (120,000 to each Director) on that date. These Options vest and expire as follows: one-third (40,000 per Director) vested on the date of issue, one-third will vest February 26, 2017 and the final third will vest February 26, 2018; all Directors Options currently outstanding will expire on February 26, 2021. The value of these Options is included in administration expenses over their vesting period(s). A total of $12,668 was expensed during the period ($34,586 was expensed in the year ended September 30, 2016). On June 30, 2017, a total of 160,000 of these Options were exercisable.

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

Grant Date	Expiry Date	Exercise Price	Options Outstanding
January 22, 2014	January 22, 2019	0.14	360,990
August 26, 2014	January 22, 2019	0.125	120,330
February 23, 2015	February 23, 2020	0.15	1,000,000
December 15, 2015	December 15, 2018	0.12	186,000
January 1, 2016	January 1, 2019	0.18	250,000
February 26, 2016	February 26, 2021	0.14	480,000
June 27, 2016	June 27, 2021	0.135	450,000
January 5, 2017	January 5, 2019	0.25	47,000
January 5, 2017	January 5, 2022	0.25	674,000
January 7, 2017	January 7, 2020	0.275	250,000
			3,818,320

During the current period, a total of 484,672 Options were exercised for total proceeds of $91,934 (a total of 1,366,600 Options were exercised for total proceeds of $151,950 during the fiscal year ended September 30, 2016). A total of 675,875 Options expired during the period (fiscal 2016 - 205,980 expired).

11. Contractual obligations

In March 2015, the Company committed to rent its office space under a lease expiring on March 31, 2018. Future minimum lease payments between July 1, 2017 and March 31, 2017 are $69,867. These amounts do not include the cost of utilities which are adjusted based upon actual usage.

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

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 June 30, 2017, $328,350 of accounts receivable were greater than 90 days (September 30, 2016 - $546,930).

(c) Market risk

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

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the nine-month period ended June 30, 2017, **90.1%** of the Company's sales were in US dollars (95.9% - 2016 year). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As of June 30, 2017, cash, trade receivables and accounts payable of $551,592, $506,204 and $52,630 respectively ($213,403, $864,949 and $34,300 respectively at September 30, 2016) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.30 (1.31 at September 30, 2016). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive loss by approximately $50,000.

(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:

	Three months		Nine months	
For the periods ended June 30	2017	2016	2017	2016
Salaries, benefits and directors' fees	$ 225,265	$ 244,157	$ 607,075	$ 839,941

(Canadian dollars)

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

For the period ended June 30, 2017 the non-Executive Officer Directors received $12,000 ($1,000 per Director per quarter) for their services to the Company. In addition, $11,986 relating to stock-based compensation was recognized for the period (for year ended September 30, 2016 - $18,000 plus $39,339 stock-based compensation).

A Partner at Shea Nerland Calnan LLP ("SNC") manages corporate legal matters on behalf of the Company and is also a member of the Company's Board of Directors. For the period ended June 30, 2017 the Company has incurred a total of $43,599 (year ended September 30, 2016 - $31,885) in legal fees from SNC.

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

14. Capital management

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

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

15. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately $10,250,000, (as of September 30, 2016 - $8,320,000) of which $9,915,000 (as of September 30, 2016 – $7,965,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2037, 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 three and nine-month periods ended June 30, 2017 were based on a net and comprehensive losses of $1,078,284 (Q3-2016 – $446,756) and $3,103,457 (YTD-2016 - $2,078,148) respectively, and weighted average number of Shares outstanding of 116,314,439 (Q3-2016 – 100,858,861) and 115,370,772 (YTD-2016 – 99,469,230) respectively.

(b) Dividends

There were no dividends declared or paid by the Company in the period ended June 30, 2017 or the year ended September 30, 2016. 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

	Three months		Nine months	
For the periods ended June 30	2017	2016	2017	2016
Materials	$ 58,157	$ 55,378	$ 181,948	$ 191,825
Direct labour	127,884	155,777	391,133	426,469
Other direct costs	33,972	31,508	80,918	108,600
Amortization	10,122	10,122	30,368	30,367
	$ 230,135	$ 252,785	$ 684,367	$ 757,261

(Canadian dollars)

(b) Operating expenses

	Three months		Nine months	
For the periods ended June 30	2017	2016	2017	2016
Labour and benefits	$ 830,379	$ 790,063	$ 2,260,032	$ 2,307,685
Advertising and marketing	178,987	102,900	421,421	229,231
Office and other miscellaneous	54,382	54,717	239,473	178,485
Bad debts	-	-	43,947	-
Insurance	8,225	8,439	24,940	25,078
Professional fees	25,012	10,030	71,276	60,543
Occupancy	35,011	39,385	120,069	124,619
Communications and support	25,121	24,579	93,060	80,844
Depreciation and amortization	14,237	14,016	42,019	40,675
Travel	118,875	83,617	298,915	305,788
Stock-based compensation	35,990	34,799	120,127	102,111
Development costs	11,505	8,323	42,130	52,481
Net loss (gain) on foreign exchange	26,705	16,780	22,064	63,885
	$ 1,364,429	$ 1,187,648	$ 3,799,473	$ 3,571,425

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 period, classified by major geographical segments in which the Company's customers are located was as follows:

For the three-months ended June 30	2017		2016	
	%	Revenue	%	Revenue
Canada	4.6	$ 24,353	4.6	$ 41,979
United States	88.5	467,631	91.9	844,330
Other	6.9	36,664	3.5	32,583
		$ 528,648		$ 918,892

For the nine-months ended June 30	2017		2016	
	%	Revenue	%	Revenue
Canada	4.4	$ 61,136	5.0	$ 105,286
United States	90.1	1,244,814	85.5	1,799,203
Other	5.5	75,342	9.5	199,276
		$ 1,381,292		$ 2,103,765

19. Additional cash flows information

Changes in non-cash working capital items consist of:

	Three months		Nine months	
For the periods ended June 30	2017	2016	2017	2016
Trade and other receivables	$ 61,098	$ (445,534)	$ 489,586	$ (344,969)
Inventory	94,980	(21,993)	48,343	35,413
Prepaid expenses	(2,853)	9,710	(19,086)	(25,792)
Accounts payable and accrued liabilities	53,422	49,686	144,399	(8,990)
Unearned revenue	151,423	146,598	145,381	100,546
	$ 358,070	$ (261,533)	$ 808,623	$ (243,792)

20. Subsequent events

Board approval for the issuance of Company Common Shares and Warrants
By unanimous resolution, on August 21, 2017 the Company's Board of Directors approved the engagement of Eight Capital (on behalf of a syndicate, collectively, the "Agents"), to offer for sale units of the Company (the "Units") in a "best efforts" private placement, subject to all required regulatory approvals, at a price per Unit of $0.16 for total gross proceeds of up to approximately $1,500,000 (the "Offering"). The Company also granted the Agents an option to offer for sale up to an additional $500,000 of the Units, prior to the closing date of the Offering.

Each Unit shall consist of one common share of the Company and one-half of one Share purchase warrant (each full warrant, a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one Share at a price of $0.25 for a period of 24 months following the closing of the Offering, subject to possible accelerated maturity conditions.

The net proceeds from the Offering will be used for working capital and general corporate purposes. The closing date of the Offering is scheduled to be on or about September 12, 2017 and is subject to certain conditions.