Memex Inc.

Consolidated Financial Statements

For the years ended September 30, 2021 and 2020

MEMEX
Measuring Manufacturing Excellence™

MEMEX INC.

Consolidated Financial Statements
For the years ended September 30, 2021 and 2020

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Memex Inc.

Opinion

We have audited the consolidated financial statements of Memex Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of cash flows, and consolidated statements of changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS")

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit and a working capital deficiency as of September 30, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 11, 2022

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

As at September 30		2021	2020
ASSETS			
Current Assets			
Cash		$ 708,807	$ 548,597
Trade and other receivables	Notes 4 & 16	249,735	381,233
Inventory	Note 5	141,889	176,102
Prepaid expenses		39,061	34,364
		1,139,492	1,140,296
Equipment	Note 6	54,032	67,712
Intangible assets	Note 7	121,469	161,959
Right-of-use asset	Note 8	253,928	321,644
		$ 1,568,921	$ 1,691,611
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	Note 9	$ 169,152	$ 180,427
Unearned revenue	Note 10	874,592	1,047,069
Current portion of long-term and lease liabilities	Note 11 & 12	260,990	179,747
		1,304,734	1,407,243
Long-term liabilities	Notes 11 & 16	952,250	1,135,525
Lease liability	Note 12	247,917	316,520
		2,504,901	2,859,288
SHAREHOLDERS' DEFICIENCY	Note 13		
Share capital		12,475,558	12,430,558
Warrants		16,235	58,783
Stock-based compensation reserve		307,899	383,530
Contributed surplus		2,406,240	2,267,311
Deficit		(16,141,912)	(16,307,859)
		(935,980)	(1,167,677)
		$ 1,568,921	$ 1,691,611

Nature of business and going concern Note 1
Contractual obligations Note 14

APPROVED BY THE BOARD:

(signed) "David McPhail" Director

(signed) "Joe Brennan" Director

MEMEX INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Canadian dollars)

For the years ended September 30		2021	2020
Revenue	Note 20	$ 3,040,339	$ 2,251,677
Cost of sales	Note 21		
Materials, assembly, installation		202,502	181,240
Customer service		392,735	350,258
		595,237	531,498
Gross margin		2,445,102	1,720,179
Operating expenses	Notes 13, 16 & 21		
Development		500,702	510,173
Selling and marketing		691,086	1,037,082
Administration		795,842	815,551
Loss (gain) on foreign exchange		42,631	(9,825)
		2,030,261	2,352,981
Income (loss) from operations		414,841	(632,802)
Interest, accretion, loss on extinguishment	Notes 11 & 12	(248,894)	(116,237)
Net and comprehensive income (loss) for the year		$ 165,947	$ (749,039)
Basic and diluted income (loss) per share	Note 19	$ 0.001	$ (0.006)

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

For the years ended September 30		2021	2020
Operating activities:			
Net and comprehensive income (loss) for the year		$ 165,947	$ (749,039)
Items not affecting cash from operations:			
Depreciation and amortization		125,583	130,158
G&G Private Capital loan extinguishment	Note 11	91,867	-
Net present value adjustments on loans		(10,948)	(88,402)
Accretion of interest on loans		77,042	85,728
Stock-based compensation		4,515	21,626
		454,006	(599,929)
Changes in non-cash working capital balances	Note 22	(22,738)	553,693
Cash flows from operating activities		431,268	(46,236)
Investing activities:			
Additions to equipment		(3,697)	(3,891)
Cash flows from investing activities		(3,697)	(3,891)
Financing activities:			
Repayment of FedDev Ontario (IBI)		(54,000)	(84,000)
Borowing from FedDev Ontario (RRRF)		25,415	101,660
Repayment of G&G Private Capital		(140,000)	(105,000)
G&G refinancing costs		(28,320)	-
Lease payments		(60,456)	(46,044)
Repayment of related party advances		(10,000)	(7,500)
Cash flows from financing activities		(267,361)	(140,884)
Net (decrease) increase in cash		160,210	(191,011)
Cash, beginning of year		548,597	739,608
Cash, end of year		$ 708,807	$ 548,597

Supplemental Information Note 22

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

	Share capital		Warrants	Stock based compensation reserve	Contributed surplus	Deficit	Shareholders' deficiency
	Number of shares	Amount					
Balance, October 1, 2019	134,156,883	$ 12,405,566	$ 58,783	$ 563,406	$ 2,065,809	$ (15,558,820)	$ (465,256)
Issuance of options	-	-	-	21,626	-	-	21,626
Options expired	-	-	-	(201,502)	201,502	-	-
Shares issued during the year	1,666,112	24,992	-	-	-	-	24,992
Net and comprehensive loss for the year	-	-	-	-	-	(749,039)	(749,039)
Balance, September 30, 2020	135,822,995	$ 12,430,558	$ 58,783	$ 383,530	$ 2,267,311	$ (16,307,859)	$ (1,167,677)
Balance, October 1, 2020	135,822,995	$ 12,430,558	$ 58,783	$ 383,530	$ 2,267,311	$ (16,307,859)	$ (1,167,677)
Issuance of common shares	1,800,000	45,000	-	-	-	-	45,000
Issuance of options	-	-	-	4,515	-	-	4,515
Options expired	-	-	-	(80,146)	80,146	-	-
Warrants issued	-	-	16,235	-	-	-	16,235
Warrants expired / cancelled	-	-	(58,783)		58,783	-	-
Net and comprehensive income for the year	-	-	-	-	-	165,947	165,947
Balance, September 30, 2021	137,622,995	$ 12,475,558	$ 16,235	$ 307,899	$ 2,406,240	$ (16,141,912)	$ (935,980)

Supplemental information Note 13

1. Nature of business and going concern

Memex Inc. ("Memex" or the "Company") was incorporated under the Alberta Business Corporations Act ("ABCA") on July 15, 2011. The Company is a reporting issuer in Ontario, British Columbia, Alberta and Saskatchewan.

The Company is technology based and operates from its rented facilities in Burlington, Ontario. It develops, commercializes and manufactures a suite of products for its customers in the discrete manufacturing and aerospace sectors worldwide. The Company's registered office is located at 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9 and its head office is located at 880 Laurentian Drive – Unit 2, Burlington, Ontario L7N 3V6. The common shares (the "Common Shares" or "Shares") of the Company trade on the TSX Venture Exchange under the symbol "OEE".

These consolidated financial statements incorporate the results of Memex Inc. and all its subsidiary undertakings, made up to September 30, 2021, adjusted to eliminate intra-group balances, transactions, income and expenses. The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings, which are included from the date of acquisition.

These consolidated financial statements were approved and authorized for issue by management and the Board of Directors on January 11, 2022.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of September 30, 2021, the Company has an accumulated deficit of $16,141,912 (2020 - $16,307,859) and a working capital deficiency of $165,242 (2020 – $266,947 deficiency). Given its current working capital position and the potential for losses in future, the Company may not be able to meet its financial obligations and sustain its operations in the normal course of business, all of which cast significant doubt and material uncertainty about the Company's ability to continue as a going concern.

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

COVID-19 Pandemic

The Company's future operations could be significantly adversely affected by the effects of COVID-19 ("COVID"). The Company cannot accurately predict the future impact COVID will have on its operations or the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, or the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, COVID could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

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

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

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

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

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

(a) Property and equipment

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

Furniture and equipment	20%
Computer hardware	30%

(b) Intangible assets

Intangible assets include computer software which is not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 5 years.

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

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

(c) Impairment

(i) Financial assets

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

(ii) Non-financial assets

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

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

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

(d) Valuation of inventory

Inventory has been valued at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Cost for any work in progress includes the carrying value of all parts and components assembled.

(e) Foreign currency translation

The Company's presentation and functional currency is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognized in operations.

(f) Income taxes

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

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

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting year. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis; or to realize the asset and settle the liability simultaneously.

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

(g) Revenue recognition

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

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

(i) Software licensing

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

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

(ii) Hardware

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

(iii) Support services and installation

Unless part of a multiple-element arrangement, revenue from support services is recognized after the service has been provided and collection is probable. In instances where the Company invoices the client prior to performing support service, the prebilling is recorded as unearned revenue. Support revenue also includes the recognition of previously deferred revenue related to multi-element arrangements for installation, configuration and support.

(h) Financial instruments

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

(i) Financial assets

1. Initial recognition and measurement

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

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

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

2. Subsequent measurement – financial assets at amortized cost

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

3. Subsequent measurement – financial assets at FVTPL

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

4. Subsequent measurement – financial assets at FVOCI

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

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

5. Derecognition

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

(ii) Financial liabilities

1. Initial recognition and measurement

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

2. Subsequent measurement – financial liabilities at amortized cost

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

3. Derecognition

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

(i) Leases

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

On May 28, 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19 assuming they meet certain criteria. These amendments are mandatory for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. The Company early adopted these amendments as permitted. The Company has applied the practical expedient to not assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification.

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

(j) Share-based payments and warrants

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

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

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

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

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

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

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

(k) Earnings (Loss) per Share

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted income (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease income (loss) per share or increase income per share. Options and warrants have a dilutive effect only when the average market price of the shares exceeds the exercise price of the options or warrants. The diluted income per share is the same as basic loss per share for the years ended September 30, 2021 and 2020 as the effects of including all outstanding options and warrants would be anti-dilutive.

(l) Government grants

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

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

(m) Sources of estimation uncertainty

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

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

(i) Impairment of long-lived assets

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

(ii) Useful lives of depreciable assets

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

(iii) Inventories

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

(iv) Expected credit loss

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

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

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

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

(vi) Share-based payments

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

(Canadian dollars)

(n) Standards, amendments and interpretations not yet adopted

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

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

(i) Standards adopted in the year

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The adoption of this standard had no material impact on the Company.

(ii) Standards to be adopted

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

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

3. Investments - Shares in subsidiary undertakings

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

4. Trade and other receivables

As at	September 30, 2021	September 30, 2020
Current	$ 161,615	$ 187,733
Over 30 days	23,075	6,915
Over 60 days	-	12,750
Over 90 days	$7,245	40,613
	$ 191,935	$ 248,011
Other receivables	57,800	133,222
	$ 249,735	$ 381,233

5. Inventory

As at	September 30, 2021	September 30, 2020
Finished goods and component parts	$ 122,584	$ 153,331
Work-in-process	20,522	30,438
Less: provision for slow moving and obsolete	(1,217)	(7,667)
	$ 141,889	$ 176,102

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

(Canadian dollars)

6. Equipment

	Furniture and Equipment	Computer Hardware	Total
Cost			
Balance at October 1, 2019	$ 147,494	$ 178,199	$ 325,693
Additions	-	3,891	3,891
Balance at September 30, 2020	$ 147,494	$ 182,090	$ 329,584
Additions	-	3,697	3,697
Balance at September 30, 2021	$ 147,494	$ 185,787	$ 333,281
Accumulated depreciation			
Balance at October 1, 2019	$ 103,861	$ 136,059	$ 239,920
Depreciation expense	8,726	13,226	21,952
Balance September 30, 2020	$ 112,587	$ 149,285	$ 261,872
Depreciation expense	6,981	10,396	17,377
Balance at September 30, 2021	$ 119,568	$ 159,681	$ 279,249
Carrying amounts			
As at September 30, 2020	$ 34,907	$ 32,805	$ 67,712
As at September 30, 2021	$ 27,926	$ 26,106	$ 54,032

7. Intangible assets – software and development costs

As at	September 30, 2021	September 30, 2020
Cost – beginning and end of year	$ 614,096	$ 614,096
Accumulated amortization		
Balance – beginning of year	$ 452,137	$ 411,647
Amortization	40,490	40,490
Balance – end of year	$ 492,627	$ 452,137
Carrying amounts		
Balance - end of year	$ 121,469	$ 161,959

8. Right-of-use asset

As at	September 30, 2021	September 30, 2020
Balance – beginning of year	$ 321,644	$ -
Additions	-	389,360
Amortization	(67,716)	(67,716)
Balance – end of year	$ 253,928	$ 321,644

9. Accounts payable and accrued liabilities

As at	September 30, 2021	September 30, 2020
Trade payables and accrued liabilities	$ 142,952	$ 146,056
Government remittances	26,200	34,371
	$ 169,152	$ 180,427

10. Unearned revenue

As at	September 30, 2021	September 30, 2020
Undelivered projects	$ 369,933	$ 538,681
Prepaid client services	169,884	173,308
Future software rights	334,775	335,080
	$ 874,592	$ 1,047,069

(Canadian dollars)

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

Of the $1,047,069 (September 30, 2019 - $963,020) in unearned revenue reported as at September 30, 2020, $872,773 was recognized as revenue during the year ended September 30, 2021 (2020 – $816,144).

11. Long-term liabilities

As at	September 30, 2021	September 30, 2020
IBI term loan (a)	$ 450,990	$ 465,109
G&G Private Capital (b)	432,114	570,219
RRRF term loan (c)	92,354	70,568
Company Officers – G&G congruent (d)	30,865	40,730
Company Officers – deferred remuneration (e)	138,313	138,313
	$ 1,144,636	$ 1,284,939
Less: deferred financing fees	-	(30,124)
	$ 1,144,636	$ 1,254,815
Allocated:		
Current portion	$ 192,386	$ 119,290
Long-term portion	952,250	1,135,525
	$ 1,144,636	$ 1,254,815

(a) IBI term loan

On March 19, 2015, the Company qualified for $800,000 in non-interest-bearing Government of Canada fixed repayment-term advances, through FedDev Ontario's Investing in Business Innovation ("IBI") initiative. On June 12, 2020 the lender agreed to a revised repayment schedule which extended repayment requirements until November 2024. This modification was accounted for as an extinguishment of the original liability and the recognition of a new one, valuing it on June 12, 2020 using the revised future repayments required and a discount rate of 9% effective on the modification date. The $57,310 difference between the original carrying value and the modified value was recognized in profit and loss in the period it was revalued.

During the year ended September 30, 2021 the Company repaid $54,000 (2020 - $84,000) in principal and recognized $39,881 (2020 – 32,998) in interest accretion expense on this loan.

(b) G&G Private Capital

On March 28, 2019, the Company received a $700,000 loan facility (the "Loan") from affiliates of G&G Private Capital ("G&G") at Royal Bank Prime ("RBP") rate plus 8% that required quarterly principal repayments of 5% of the total amount borrowed commencing March 2020. The Loan was originally scheduled to mature in March 2022, however, on March 29, 2021 G&G and the Company substantially modified the terms of the loan by extending the maturity date by one year (the "Extension") to March 2023. As a condition of the initial Loan, G&G required Company Officers (collectively the "Lenders") to advance the Company $50,000 under identical lending terms and conditions, which also occurred March 28, 2019. In conjunction with G&G, the Company Officers agreed to the same maturity date Extension.

As consideration for the Loan Extension, the Lenders were paid a re-financing fee of $9,000 ($8,400 to G&G and $600 to Company Officers), were issued a total of 1,800,000 common shares of the Company (1,680,000 to G&G and 120,000 to Company Officers) valued at $45,000 (TSXV closing value on March 29, 2021), and were issued 750,000 warrants (700,000 to G&G and 50,000 to Company Officers) exercisable at $0.05 as described in warrants transactions and valued at $16,235 (Black-Scholes – expected life: 2 years, risk free rate: 0.23%, dividend yield: 0%, volatility: 235%). All warrants issued under the terms of the Loan Extension expire at the maturity of the Loan. Warrants issued to G&G and Company Officers as a condition of the original loan agreement in 2019 were cancelled on the Extension agreement date. In addition, the Company incurred $19,320 in financing costs.

Because the change in the terms of the loan were considered substantial, the event has been accounted for as the extinguishment of the original instrument and the recognition of a new instrument. Accordingly, the difference between the carrying amount of the original instrument immediately prior to modification, and the fair value of the amended instrument (using a discount rate of 16%) combined with refinancing costs resulted in a loss on extinguishment of $88,369 which is included in the interest, accretion and loss on extinguishment expense.

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

(Canadian dollars)

The Company repaid $140,000 (2020 - $105,000) in principal and recognized $75,124 (2020 - $102,562) in interest expense, $56,643 paid (2020 - $81,347) and $18,481 (2020 - $21,215) in accretion, to G&G during the year ended September 30, 2021.

(c) RRRF term loan

On July 22, 2020 the Company was approved for an interest-free Regional Relief and Recovery Fund ("RRRF") Loan of $127,075 through the Federal Economic Development Agency ("FedDev") for Southern Ontario. On July 28, 2020, the Company received $101,660 (80%), and on November 3, 2020 the $25,415 balance. The repayment of funds advanced will commence January 2023 with the loan to be fully repaid December 2027.

The loan is valued at the present value of anticipated future repayments of the funds advanced at each reporting date using a discount rate of 9%. The Company recognized a net present value adjustment of $10,948 (2020 - $31,092) on this loan and incurred $7,319 (2020 - $nil) interest accretion expense in the year ended September 30, 2021.

(d) Company Officers – G&G congruent

Congruent with, and as a condition of G&G Loan, the Company's CEO (through a controlled corporation) and CFO collectively agreed to loan the Company $50,000 under the same terms and conditions as the G&G Loan, including interest rate, financing fees, repayment terms, security, entitlement to Company Warrants and the Extension of the loan. Also congruent with the G&G loan, and the Extension of the term of the loan on March 29, 2021 being considered substantial, the difference between the carrying amount of the original instrument immediately prior to modification, and the fair value of the amended instrument (using a discount rate of 16%) combined with refinancing costs resulted in a loss on extinguishment of $3,498 which is reflected in the interest, accretion and loss on extinguishment expense.

The Company repaid $10,000 (2020 - $7,500) in principal plus recognized $5,365 in interest expense, $4,046 paid (2020 - $5,810) and $1,319 (2020 - $1,513) in accretion, to the CEO and CFO during the year ended September 30, 2021.

(e) Company Officers – deferred remuneration

The Company's CEO as well as another Company employee agreed to postpone receipt of their remuneration from prior periods. Subsequent to the postponement they further agreed to restrictions over payment of their remuneration such that any funds used for repayment would be derived from Company profits. They also agreed to postpone settlement in favour of FedDev Ontario as a condition of the Company's participation in IBI funding. Of the outstanding balance at September 30, 2021, the CEO's deferred remuneration was $86,543, unchanged from September 30, 2020.

(f) Principal repayments

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

2022	$ 255,000
2023	521,562
2024	250,416
2025	60,416
2026 and beyond	50,832
	$ 1,138,226
Add : deferred remuneration	138,313
Less: accretion expense	(131,903)
	$ 1,144,636

12. Lease liability

As at	September 30, 2021	September 30, 2020
Balance - beginning of year	$ 376,977	$ -
Additions	-	423,021
Interest expensed	30,244	31,755
Lease payments	(90,700)	(77,799)
Balance - end of year	$ 316,521	$ 376,977
Current portion	(68,604)	(60,457)
	$ 247,917	$ 316,520

(Canadian dollars)

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

By annual period ended September 30	
2022	$ 93,387
2023	101,988
2024	104,317
2025	72,683
	$ 372,375
Less: interest expense	(55,854)
	$ 316,521

13. Share capital and reserves

(a) Authorized share capital

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

(b) Common Shares issued and outstanding

As at	September 30, 2021		September 30, 2020	
	#	$	#	$
Outstanding, beginning of year	135,822,995	$ 12,430,558	134,156,883	$ 12,402,566
Issued during the year (d)	1,800,000	45,000	1,666,112	24,992
Outstanding, end of year	137,622,995	$ 12,475,558	135,822,995	$ 12,430,558

(c) Preferred shares issued and outstanding

There were no preferred share transactions or balances during the years ended September 30, 2021 or 2020.

(d) Capital transactions

(i) For the year ended September 30, 2021

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

(ii) For the year ended September 30, 2020

On June 30, 2020, the Company issued 1,666,112 Common Shares of the Company in settlement of $24,992 of interest payable on outstanding long-term liabilities to G&G Private Capital (1,555,038 shares) and Company Officers (111,074 shares).

(e) Warrant transactions

(i) For the year ended September 30, 2021

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

Also, in connection with the March 29, 2021 loan Extension, the warrants issued to G&G and Company Officers with the initial loan agreement on March 28, 2019 were cancelled.

(ii) For the year ended September 30, 2020

There were no transactions.

The following table reflects the warrants issued and outstanding as at September 30, 2021:

Grant Date	*Expiry Date*	*Remaining useful life (years)*	Exercise price	Number of warrants outstanding and exercisable
March 29, 2021	March 28, 2023	1.5	$0.05	750,000

(Canadian dollars)

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

	Weighted average	Number of warrants outstanding
Balance October 1, 2019 and September 30, 2020	$0.05	3,750,000
Warrants issued	$0.05	750,000
Warrants cancelled	$0.05	(3,750,000)
As at September 30, 2021	$0.05	750,000

(f) Stock-based compensation reserve

(i) For the year ended September 30, 2021 and 2020

There were no transactions.

The following table reflects the stock-based compensation options issued and outstanding as at September 30, 2021:

Grant Date	*Expiry Date*	*Remaining useful life (years)*	Exercise Price	Number of exercisable Options	Number of Options Outstanding
January 5, 2017	January 5, 2022	0.27	$0.25	332,500	332,500
September 5, 2017	September 5, 2022	0.93	$0.18	1,000,000	1,000,000
January 19, 2018	January 19, 2023	1.30	$0.13	140,000	140,000
August 17, 2018	August 17, 2023	1.88	$0.06	1,500,000	1,500,000
January 16, 2019	January 16, 2024	2.30	$0.05	360,000	720,000
March 27, 2019	March 27, 2022	0.49	$0.05	500,000	500,000
				3,832,500	4,192,500

The weighted average exercise price of the outstanding Options as at September 30, 2021 was $0.10 (2020 - $0.10). On January 5, 2022, 332,500 options went unexercised and expired

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

	Weighted Average Price	Number of Options Outstanding
As at October 1, 2019	$0.12	7,405,800
Expired and forfeit	$0.17	(2,103,300)
As at September 30, 2020	$0.10	5,302,500
Expired	$0.10	(1,110,000)
As at September 30, 2021	$0.10	4,192,500

14. Contractual obligations

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

For the years ended September 30:	
2022	$ 157,738
2023	161,988
2024	164,675
2025	125,925

15. Financial instruments

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

(a) Liquidity risk

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its trade and other receivables. The Company provides credit to its clients in the normal course of its operations.

As of September 30, 2021, there was a concentration of credit risk with $91,146 (48%) of the Company's receivables collectible from one customer. At September 30, 2020 - $81,573 (33%) was collectible from two customers.

(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, 2021, 86.9% of the Company's sales were in US dollars (2020 – 85.7%). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at September 30, 2021, cash, trade and other receivables and accounts payable and accrued liabilities of $448,970, 139,609 and $26,347 respectively (2020 - $265,505, $176,951 and $70,860 respectively) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.27 (2020 - 1.33). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive income (loss) by approximately $29,000.

(ii) Interest rate risk

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

(iii) Other price risk

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

16. Related party transactions and balances

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	2021	2020
Salaries, benefits and directors' fees	$ 395,996	$ 542,855
Stock-based compensation	-	29,862

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

Included in the table above, non-Officer Directors fees $36,000 for their services to the Company was recognized for the year ended September 30, 2021 (2020 - $36,000 in Director's fees and $9,192 in stock-based compensation).

A lawyer at Lindsey MacCarthy LLP ("LMLLP") 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, 2021, the Company had incurred a total of $23,195 (2020 - $16,709) in legal fees from LMLLP.

For the year ended September 30, 2021, the Company paid $3,282 (2020 - $2,358) 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, CEO and Chairman of the Board.

(Canadian dollars)

17. Capital management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management for the years ended September 30, 2021 or 2020.

18. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately $15,800,000 (2020 - $16,100,000) of which $14,700,000 (2020 – $15,000,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2042, and most of the remaining differences may be carried forward indefinitely.

19. Earnings per share and dividends per share

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the years ended September 30, 2021 and 2020 were based on a net income of $165,947 and a loss of $749,039 respectively and a weighted average number of shares outstanding of 136,737,830 and 134,576,835 respectively.

(b) Dividends

There were no dividends declared or paid by the Company for the years ended September 30, 2021 or 2020.

20. Revenue and segmented information

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

(a) Revenue by element

For the years ended September 30	2021	2020
Software licensing	$ 1,925,995	$ 1,437,999
Hardware	283,232	143,180
Support services and installation	831,112	670,498
	$ 3,040,339	$ 2,251,677

(b) Timing of revenue recognition

For the years ended September 30	2021	2020
At a point in time	$ 2,206,140	$ 1,469,265
Over time	834,199	782,412
	$ 3,040,339	$ 2,251,677

(c) Geographic Segmentation

For the years ended September 30	2021		2020	
	%	Revenue	%	Revenue
Canada	13.1	$ 398,264	14.3	$ 322,287
United States	83.4	2,535,179	75.9	1,708,252
Other	3.5	106,896	9.8	221,138
		$ 3,040,339		$ 2,251,677

(Canadian dollars)

21. Analysis of expenses by nature

The following breaks down the nature of expenses incurred:

(a) Cost of sales

For the years ended September 30	2021	2020
Materials	$ 75,906	$ 76,038
Direct labour	438,505	477,709
Government labour grant	(6,195)	(114,963)
Other direct costs	46,531	52,224
Amortization	40,490	40,490
	$ 595,237	$ 531,498

(b) Operating expenses

For the years ended September 30	2021	2020
Labour and benefits	$ 1,397,521	$ 1,784,883
Government labour grant	(9,537)	(217,750)
Advertising and marketing	126,536	184,230
Office and other miscellaneous	110,516	96,967
Insurance	37,421	33,607
Professional fees	72,216	68,462
Occupancy	19,250	73,715
Communications and support	86,779	81,672
Depreciation and amortization	85,093	89,668
Travel	49,938	121,275
Stock-based compensation	4,515	21,626
Development costs	7,382	24,451
Net loss (gain) on foreign exchange	42,631	(9,825)
	$ 2,030,261	$ 2,352,981

22. Additional cash flows information

Changes in non-cash working capital items consist of:

For the years ended September 30	2021	2020
Trade and other receivables	$ 131,498	$ 453,071
Inventory	34,213	94,719
Prepaid expenses	(4,697)	13,188
Accounts payable and accrued liabilities	(11,275)	(91,334)
Unearned revenue	(172,477)	84,049
	$ (22,738)	$ 553,693

During the year ended September 30, 2021 $16,235 of warrants were issued as part of the G&G debt refinancing (2020 – no warrants were issued).