Memex Inc.

Consolidated Financial Statements

For the years ended September 30, 2017 and 2016

MEMEX

Measuring Manufacturing Excellence™

MEMEX INC.

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

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Independent Auditors' Report

To the Shareholders of Memex Inc.:

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

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

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

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

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

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

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

January 11, 2018 | Licensed Public Accountants

MNP

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

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

APPROVED BY THE BOARD:

(signed) "David McPhail" Director

(signed) "Joe Brennan" Director

MEMEX INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Canadian dollars)

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

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

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

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

MEMEX INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(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	-	-	-	132,808	-	-	132,808
Options exercised during the year	1,366,600	251,679	-	(99,729)	-	-	151,950
Options expired during the year	-	-	-	(19,037)	19,037	-	-
Warrants exercised during the year	12,917,861	3,126,323	(708,201)	-	-	-	2,418,122
Warrants expired during the year	-	-	(161,137)		161,137	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(2,805,440)	(2,805,440)
Balance, September 30, 2016	112,344,116	$ 9,508,483	$ 651,802	$ 271,159	$ 773,208	$ (8,249,281)	$ 2,955,371
Balance, October 1, 2016	112,344,116	$ 9,508,483	$ 651,802	$ 271,159	$ 773,208	$ (8,249,281)	$ 2,955,371
Issuance of common shares and warrants	17,820,000	2,283,452	567,748	-	-	-	2,851,200
Share issuance costs	-	(365,190)	116,850	-	-	-	(248,340)
Issuance of options - Directors, employees, other	-	-	-	185,008	-	-	185,008
Options exercised during the year	484,672	132,354	-	(40,420)	-	-	91,934
Options expired during the year	-	-	-	(46,767)	46,767	-	-
Warrants exercised during the year	3,508,095	846,467	(183,742)	-	-	-	662,725
Warrants expired during the year	-	-	(468,060)		468,060	-	-
Net and comprehensive loss for the year	-	-	-	-	-	(3,984,010)	(3,984,010)
Balance, September 30, 2017	134,156,883	$ 12,405,566	$ 684,598	$ 368,980	$ 1,288,035	$ (12,233,291)	$ 2,513,888

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

1. Nature of business

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

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

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

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

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

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

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

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

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

(a) Property and equipment

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

Furniture and equipment	20%
Computer hardware	30%

(b) Intangible assets

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

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

(c) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

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

(d) Valuation of inventory

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

(e) Research and development grants

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

(f) Foreign currency translation

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

(g) Income taxes

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

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

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

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

(h) Revenue recognition

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

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

(i) Software
Revenue from software is recognized once it is installed on customer equipment.

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

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

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

(i) Financial instruments

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

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

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

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

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

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

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

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

(j) Sources of estimation uncertainty

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

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

(i) Impairment of long-lived assets
In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.

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

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

(iv) Allowance for doubtful accounts receivable
The Company provides for bad debts on a specific identification basis. Uncertainty relates to the actual collectivity

(Canadian dollars)

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

(k) Standards, amendments and interpretations not yet adopted

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

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

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

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

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

3. Investments - Shares in subsidiary undertakings

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

4. Trade and other receivables

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

(Canadian dollars)

5. Inventory

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

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

6. Property and equipment

	Furniture and Equipment	Computer Hardware	Total
Cost			
Balance at October 1, 2015	$ 129,818	$ 109,243	$ 239,061
Additions	1,109	29,657	30,766
Balance at September 30, 2016	$ 130,927	$ 138,900	$ 269,827
Additions	4,307	26,963	31,270
Balance at September 30, 2017	$ 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	13,057	24,244	37,301
Balance at September 30, 2017	$ 80,849	$ 95,814	$ 176,663
Carrying amounts			
As at September 30, 2016	$ 63,135	$ 67,330	$ 130,465
As at September 30, 2017	$ 54,385	$ 70,049	$ 124,434

7. Intangible assets

	Computer Software	Development Costs	Total
Cost			
Balance at October 1, 2015	$ 69,955	$ 520,471	$ 590,426
Additions	23,670	-	23,670
Balance at September 30, 2016	$ 93,625	$ 520,471	$ 614,096
Additions	-	-	-
Balance at September 30, 2017	$ 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	18,725	40,490	59,215
Balance at September 30, 2017	$ 83,511	$ 237,041	$ 320,552
Carrying amounts			
As at September 30, 2016	$ 28,839	$ 323,920	$ 352,759
As at September 30, 2017	$ 10,114	$ 283,430	$ 293,544

8. Accounts payable and accrued liabilities

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

(Canadian dollars)

9. Long-term liabilities

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

(a) IBI term loan

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

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

Repayment of all advances received commenced October 2017.

(b) Payable to company officers

	September 30, 2017	September 30, 2016
Remuneration to Company Officers	$ 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 are as follows:

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

10. Share capital and reserves

(a) Authorized share capital

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

(b) Common Shares issued and outstanding

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

(c) Preferred shares issued and outstanding

The Company has never issued preferred shares.

(d) Capital transactions

(i) For the year ended September 30, 2017

September 26, 2017

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

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

Exercised warrants and options

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

(ii) For the year ended September 30, 2016

Exercised warrants and options

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

(e) Warrants transactions

(i) For the year ended September 30, 2017

September 26, 2017

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

Redeemed, issued and expired warrants

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

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

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

(ii) For the year ended September 30, 2016

Redeemed, issued and expired warrants

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

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

(Canadian dollars)

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

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

(f) Stock-based compensation reserve

(i) For the year ended September 30, 2017

1. Options issued to Employees

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

2. Other stock-based compensation awards

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

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

3. Options issued to Senior Management

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

(ii) For the year ended September 30, 2016

1. Options issued to Employees

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

(Canadian dollars)

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

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

2. Other stock-based compensation awards

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

3. Options issued to Directors

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

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

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

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

11. Contractual obligations

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

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

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

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

12. Financial instruments

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

(a) Liquidity risk

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risks relate to its accounts receivable. The Company provides credit to its clients in the normal course of its operations. As of September 30, 2017, $233,005 of accounts receivable were greater than 90 days (September 30, 2016 - $546,930).

(c) Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

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

(Canadian dollars)

(iii) Other price risk

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

13. Related party transactions and balances

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

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

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

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

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

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

14. Capital management

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

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

15. Income taxes

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

16. Earnings per share and dividends per share

(a) Basic and diluted earnings per share

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

(b) Dividends

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

(Canadian dollars)

17. Analysis of expenses by nature

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

(a) Cost of sales

For years ended September 30	2017	2016
Materials	$ 224,165	$ 213,892
Direct labour	512,870	572,812
Other direct costs	117,294	156,350
Amortization	40,490	40,489
	$ 894,819	$ 983,543

(b) Operating expenses

For the years ended September 30	2017	2016
Labour and benefits	$ 2,976,957	$ 3,113,308
Advertising and marketing	554,410	386,761
Office and other miscellaneous	294,433	220,349
Bad debts	51,836	67,386
Insurance	33,162	33,418
Professional fees	107,505	84,004
Occupancy	162,843	166,566
Communications and support	122,015	108,111
Depreciation and amortization	56,026	56,871
Travel	428,586	397,397
Stock-based compensation	185,008	132,808
Development costs	45,297	62,701
Net loss on foreign exchange	65,345	37,546
	$ 5,083,423	$ 4,867,226

18. Segmented information

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

For the years ended September 30	2017		2016	
	%	Revenue	%	Revenue
Canada	4.4	$ 89,115	4.1	$ 118,774
United States	90.4	1,814,973	87.4	2,543,520
Other	5.1	103,693	8.5	247,904
		$ 2,007,781		$ 2,910,198

19. Additional cash flows information

Changes in non-cash working capital items consist of:

For the years ended September 30	2017	2016
Trade and other receivables	$ 656,801	$ (352,428)
Inventory	(10,913)	(17,753)
Prepaid expenses	(35,309)	1,792
Accounts payable and accrued liabilities	255,207	(3,170)
Unearned revenue	(24,535)	155,912
	$ 841.251	$ (215,647)