
Memex Inc.

Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended March 31, 2018 and 2017



MEMEX INC.

Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended March 31, 2018 and 2017

CONTENTS

	Page
Advisory to Reader	1.
Condensed Interim Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	2.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	3.
Condensed Interim Consolidated Statements of Cash Flows	4.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5.
Notes to the Condensed Interim Consolidated Financial Statements	6. - 14.

ADVISORY TO READER

I have prepared the condensed interim consolidated statements of financial position for **Memex Inc.** as at **March 31, 2018 and 2017**, and the condensed interim consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the **three and six-month periods** then ended, and a summary of significant accounting policies and other explanatory information in my capacity as Chief Financial Officer for the company.

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

(signed) "Ed Crymble"

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

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

As at	March 31, 2018 (Unaudited)	September 30, 2017
ASSETS		
Current Assets		
Cash	\$ 1,775,362	\$ 3,457,557
Trade and other receivables	Note 4 541,051	448,783
Inventory	Note 5 242,818	155,206
Prepaid expenses	72,631	42,705
	<u>2,631,862</u>	<u>4,104,251</u>
Property and equipment	Note 6 108,488	124,434
Intangible assets	Note 7 263,937	293,544
	<u>\$ 3,004,287</u>	<u>\$ 4,522,229</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	Note 8 \$ 328,128	\$ 564,006
Unearned revenue	811,864	713,314
Current portion of long-term liabilities	Note 9 66,000	36,000
	<u>1,205,992</u>	<u>1,313,320</u>
Long-term Liabilities	Note 9 & 13 672,801	695,021
	<u>1,878,793</u>	<u>2,008,341</u>
SHAREHOLDERS' EQUITY		
Capital stock	Note 10 12,405,566	12,405,566
Warrants	684,598	684,598
Stock-based compensation reserve	472,087	368,980
Contributed surplus	1,293,051	1,288,035
Deficit	(13,729,808)	(12,233,291)
	<u>1,125,494</u>	<u>2,513,888</u>
	<u>\$ 3,004,287</u>	<u>\$ 4,522,229</u>

APPROVED BY THE BOARD:

(signed) "David McPhail"

Director

(signed) "Joe Brennan"

Director

MEMEX INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited - Canadian dollars)

For the periods ended	Three Months		Six Months		
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	
Revenue	Note 18	\$ 764,019	\$ 347,596	\$ 1,126,219	\$ 852,644
Cost of sales	Note 17				
Materials, assembly, installation		87,686	101,190	174,205	182,011
Customer service		133,504	134,568	254,389	272,221
		<u>221,190</u>	<u>235,758</u>	<u>428,594</u>	<u>454,232</u>
Gross margin		<u>542,829</u>	<u>111,838</u>	<u>697,625</u>	<u>398,412</u>
Operating expenses	Note 13 & 17				
Development		198,848	249,588	420,417	504,828
Selling and marketing		520,646	601,343	1,174,938	1,118,787
Administration		347,163	485,941	603,483	816,070
Loss (Gain) on foreign exchange		(25,466)	25,429	(30,476)	(4,641)
		<u>1,041,191</u>	<u>1,362,301</u>	<u>2,168,362</u>	<u>2,435,044</u>
Loss from operations		<u>(498,362)</u>	<u>(1,250,463)</u>	<u>(1,470,737)</u>	<u>(2,036,632)</u>
Interest and accretion	Note 9	(12,933)	(12,105)	(25,780)	(22,980)
Discount on interest-free loan	Note 9	-	-	-	34,439
Net and comprehensive loss for the period		<u>\$ (511,295)</u>	<u>\$ (1,262,568)</u>	<u>\$ (1,496,517)</u>	<u>\$ (2,025,173)</u>
Basic and diluted loss per share	Note 16	\$ (0.004)	\$ (0.011)	\$ (0.011)	\$ (0.018)

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

MEMEX INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Canadian dollars)

For the periods ended	Three Months		Six Months	
	March 31, 2017	March 31, 2017	March 31, 2018	March 31, 2017
CASH FLOWS FROM (USED FOR)				
Operating activities:				
Net and comprehensive loss for the period	(511,295)	(1,262,568)	\$ (1,496,517)	\$ (2,025,173)
Items not affecting cash from operations:				
Depreciation and amortization	22,776	24,756	45,553	48,028
Present value discount of interest-free loan	-	-	-	(34,439)
Accretion of interest-free loan	12,933	12,105	25,780	22,980
Stock based compensation	59,741	53,825	108,123	84,137
	(415,845)	(1,171,882)	(1,317,061)	(1,904,467)
Changes in non-cash working capital balances	Note 19			
	(261,093)	199,670	(347,134)	450,553
	(676,938)	(972,212)	(1,664,195)	(1,453,914)
Investing activities:				
Additions to property, equipment, intangible assets	-	(21,187)	-	(28,188)
Financing activities:				
(Repayment) Increase of FedDev Ontario funding	(9,000)	-	(18,000)	80,000
Net proceeds from issuance of shares and warrants	-	176,877	-	735,159
	(9,000)	176,877	(18,000)	815,159
Net increase (decrease) in cash and cash equivalents	(685,938)	(816,522)	(1,682,195)	(666,943)
Cash and cash equivalents, beginning of period	2,461,300	3,048,573	3,457,557	2,898,994
Cash and cash equivalents, end of period	\$ 1,775,362	\$ 2,232,051	\$ 1,775,362	\$ 2,232,051

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

MEMEX INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - Canadian dollars)

	<u>Share Capital</u>		Warrants	Stock based compensation reserve	Contributed Surplus	Deficit	Total Shareholders' Equity/(Deficit)
	Number of Shares	Amount					
	Note 10						
Balance, October 1, 2016	112,344,116	\$ 9,508,483	\$ 651,802	\$ 271,159	\$ 773,208	\$ (8,249,281)	2,955,371
Issuance of options - Directors, employees, other	-	-	-	84,137	-	-	84,137
Options exercised during the period	384,672	108,734	-	(31,800)	-	-	76,934
Options expired during the period	-	-	-	(26,523)	26,523	-	-
Warrants exercised during the period	3,478,095	839,381	(181,156)	-	-	-	658,225
Warrants expired during the period	-	-	(3,090)	-	3,090	-	-
Net and comprehensive loss for the period	-	-	-	-	-	(2,025,173)	(2,025,173)
Balance, March 31, 2017	116,206,883	\$ 10,456,598	\$ 467,556	\$ 296,973	\$ 802,821	\$ (10,274,454)	1,749,494
Balance, October 1, 2017	134,156,883	\$ 12,405,566	\$ 684,598	\$ 368,980	\$ 1,288,035	\$ (12,233,291)	2,513,888
Issuance of options - Directors, employees, other	-	-	-	108,123	-	-	108,123
Options expired during the period	-	-	-	(5,016)	5,016	-	-
Net and comprehensive loss for the period	-	-	-	-	-	(1,496,517)	(1,496,517)
Balance, March 31, 2018	134,156,883	\$ 12,405,566	\$ 684,598	\$ 472,087	\$ 1,293,051	\$ (13,729,808)	1,125,494

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

MEMEX INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

1. Nature of business

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

The Company is technology based and operates from its rented facilities in Burlington, Ontario. It develops, commercializes and manufactures a suite of products for its customers in the discrete manufacturing and aerospace sectors worldwide. The Company's registered office is located at 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9 and its head office is located at 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 March 31, 2018, adjusted to eliminate intra-group balances, transactions, income and expenses. The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings, which are included from the date of acquisition.

These consolidated financial statements were approved and authorized for issue by management and the Board of Directors on **May 22, 2018**.

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

These unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended September 30, 2017. These condensed interim consolidated financial statements were prepared in compliance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), and therefore do not contain all the disclosures included in annual financial statements prepared under International Financial Reporting Standards ("IFRS"). Accordingly, these consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2017, which are available on SEDAR (www.sedar.com).

3. Investments - Shares in subsidiary undertakings

The Company owns all of the outstanding shares of Memex Automation Inc., 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

	March 31, 2018	September 30, 2017
Current	\$ 294,193	\$ 238,541
Over 30 days	42,484	19,582
Over 60 days	11,334	29,609
Over 90 days	212,028	233,005
Less: specific allowance	(30,181)	(79,793)
	<u>529,858</u>	<u>440,944</u>
Other receivables	11,193	7,839
	<u>\$ 541,051</u>	<u>\$ 448,783</u>

5. Inventory

	March 31, 2018	September 30, 2017
Finished goods and component parts	\$ 101,795	\$ 143,099
Work-in-process	146,113	35,127
Less: provision for slow moving and obsolete	(5,090)	(5,862)
	<u>\$ 242,818</u>	<u>\$ 155,206</u>

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

MEMEX INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017**

(Canadian dollars)

6. Property and equipment

	Furniture and Equipment	Computer Hardware	Total
Cost			
Balance at October 1, 2016	\$ 130,927	\$ 138,900	\$ 269,827
Additions	4,307	26,963	31,270
Balance at September 30, 2017	\$ 135,234	\$ 165,863	\$ 301,097
Additions	-	-	-
Balance at March 31, 2018	\$ 135,234	\$ 165,863	\$ 301,097
Accumulated depreciation			
Balance at October 1, 2016	\$ 67,792	\$ 71,570	\$ 139,362
Depreciation expense	13,057	24,244	37,301
Balance September 30, 2017	\$ 80,849	\$ 95,814	\$ 176,663
Depreciation expense	5,438	\$ 10,508	15,946
Balance at March 31, 2018	\$ 86,287	\$ 106,322	\$ 192,609
Carrying amounts			
As at September 30, 2017	\$ 54,385	\$ 70,049	\$ 124,434
As at March 31, 2018	\$ 48,947	\$ 59,541	\$ 108,488

7. Intangible assets

	Computer Software	Development Costs	Total
Cost			
Balance at October 1, 2016 and September 30, 2017	\$ 93,625	\$ 520,471	\$ 614,096
Additions	-	-	-
Balance at March 31, 2018	\$ 93,625	\$ 520,471	\$ 614,096
Accumulated amortization			
Balance at October 1, 2016	\$ 64,786	\$ 196,551	\$ 261,337
Amortization expense	18,725	40,490	59,215
Balance September 30, 2017	\$ 83,511	\$ 237,041	\$ 320,552
Amortization expense	9,362	20,245	29,607
Balance at March 31, 2018	\$ 92,873	\$ 257,286	\$ 350,159
Carrying amounts			
As at September 30, 2017	\$ 10,114	\$ 283,430	\$ 293,544
As at March 31, 2018	\$ 752	\$ 263,185	\$ 263,937

8. Accounts payable and accrued liabilities

	March 31, 2018	September 30, 2017
Trade payables	\$ 275,773	\$ 487,736
Government remittances	52,355	76,270
	\$ 328,128	\$ 564,006

9. Long-term liabilities

	March 31, 2018	September 30, 2017
IBI term loan (net of present value discount) (a)	\$ 534,488	\$ 556,708
Payable to Company Officers (b)	138,313	138,313
	\$ 672,801	\$ 695,021

MEMEX INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

(a) IBI term loan

	March 31, 2018	September 30, 2017
Total funds advanced and repayable	\$ 782,000	\$ 800,000
Less: Present value discount	181,512	207,292
	\$ 600,488	\$ 592,708
Less: Current portion	66,000	36,000
	<u>\$ 534,488</u>	<u>\$ 556,708</u>

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

	March 31, 2018	September 30, 2017
Remuneration to Company Officers	<u>\$ 138,313</u>	<u>\$ 138,313</u>

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

(c) Current portion of long-term liabilities

Approximate principal repayments are as follows:

Period	\$
From April 1, 2018 until March 31, 2019	66,000
From April 1, 2019 until March 31, 2020	132,000
From April 1, 2020 until March 31, 2021	168,000
From April 1, 2021 until March 31, 2022	168,000
From April 1, 2022 until March 31, 2023	168,000
After March 31, 2023	80,000

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:	March 31, 2018		September 30, 2017	
	Number	Amount	Number	Amount
Outstanding, beginning of period	134,156,883	\$ 12,405,566	112,344,116	\$ 9,508,483
Issued during the period	-	-	21,812,767	2,897,083
Outstanding, end of period	<u>134,156,883</u>	<u>\$ 12,405,566</u>	<u>134,156,883</u>	<u>\$ 12,405,566</u>

(c) Preferred shares issued and outstanding

The Company has never issued preferred shares.

(d) Capital transactions

(i) For the period ended March 31, 2018

There have been no transactions.

(ii) For the year ended September 30, 2017

September 26, 2017

On September 26, 2017, the Company finalized a brokered private placement in which the Company sold 17,820,000 Units at a price of \$0.16 per Unit for gross proceeds of \$2,851,200. Each Unit was comprised of one Common Share and one half Warrant (a "half Warrant"). Each whole Warrant entitles the holder to purchase one Common Share

MEMEX INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017**

(Canadian dollars)

at a price of \$0.25 per share at any time within two years from the date of issue of the Warrant. However, in the event that the closing trading price of the Company's Common Shares remains greater than \$0.35 per Share for 20 consecutive trading days at any time after issue, the Company can accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants would expire 30 days after the notice is given. The proceeds were allocated \$2,283,452 to the Common Shares and \$567,748 to the Warrants.

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

Exercised warrants and options

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

(e) Warrants transactions

- (i) For the period ended March 31, 2018

There were not transactions.

- (ii) For the year ended September 30, 2017

September 26, 2017

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

Redeemed, issued and expired warrants

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

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

The following table reflects the Warrants issued and outstanding as at March 31, 2018:

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

(f) Stock-based compensation reserve

- (i) For the period ended March 31, 2018

1. Options issued to Employees

By unanimous resolution on January 19, 2018, the Board of Directors approved the issuance of a total of 337,300 stock-based compensation Options, exercisable at \$0.125 per option and valued at \$29,200 (Black-Scholes: expected life of two (87,300) and five (250,000) years, risk free rate of 1.8% (2-year) and 2.02% (5-year), expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 87,300 of the options vesting immediately upon issue and expiring January 19, 2020, 125,000 of the Options vesting on January 19, 2020 and expiring January 19, 2023, and the final 125,000 Options vesting January 19, 2021 and expiring January 19, 2023. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative

MEMEX INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

expenses (benefits) over their vesting period(s). A total of \$8,238 was expensed during the period. As of March 31, 2018, none of the Options had been exercised.

2. Other stock-based compensation awards

On March 15, 2018, the Company extended their agreement with Sophic Capital Inc. (“Sophic”), an investor relations firm, for a third year ending December 31, 2018. As part of the renewal agreement, on March 15, 2018, the Company issued Sophic a total of 500,000 Options to purchase Common Shares of the Company at \$0.07 per share, with one quarter (125,000) of the Options vesting each quarter commencing June 2018 and finishing March 2019. These Options were valued at \$21,900 (Black-Scholes: expected life of three years, risk free rate of 1.9%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and March 15, 2021. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of \$7,027 was expensed during the period. On March 31, 2018, none of these Options were exercisable.

(ii) For the year ended September 30, 2017

1. Options issued to Employees

By unanimous resolution on January 5, 2017, the Board of Directors approved the issuance of a total of 724,000 stock-based compensation Options, exercisable at \$0.25 per option and valued at \$144,800 (Black-Scholes: expected life of two to five years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%) were issued to a non-management employee of the Company, with 50,000 of the options vesting immediately upon issue and expiring January 5, 2019, 337,000 of the Options vesting on January 5, 2019 and expiring January 5, 2022, and the final 337,000 Options vesting January 5, 2020 and expiring January 5, 2022. These options would also expire ninety days after the employer-employee relationship is severed for any reason. The value of these Options is included in Administrative expenses (benefits) over their vesting period(s). A total of \$12,821 was expensed during the period (\$52,824 – 2017 fiscal year). As of March 31, 2018, none of the Options had been exercised, and 137,600 Options had expired.

2. Other stock-based compensation awards

On January 7, 2017, the Company confirmed the second year of Sophic agreement. As part of the renewed agreement, on January 7, 2017, the Company issued Sophic a total of 250,000 Options to purchase Common Shares of the Company at \$0.275 per share, with one quarter (62,500) of the Options vesting each quarter commencing April 2017 and finishing January 2018. These Options were valued at \$42,500 (Black-Scholes: expected life of three years, risk free rate of 0.83%, expected dividend yield of 0% and expected volatility of 100%). These Options expire on the earlier of 90 days from the termination of the engagement and January 7, 2020. The value of these Options is included in selling and marketing expenses over the vesting period(s). A total of \$6,907 was expensed during the period (\$35,593 - 2017 fiscal year). On March 31, 2018, all of these Options were exercisable.

By unanimous resolution, on April 23, 2017, the Company issued employment consultants for the Company a total of 350,000 Options to purchase Common Shares of the Company at \$0.195 per share, with 100,000 of the Options vesting immediately and 50,000 additional options vesting with each successful employee hire (to a maximum of 350,000 Options total). Whether vested or not, these Options will expire the earlier of three years from the date of issue or upon termination of the arrangement with the employment consultant. These Options were valued at \$42,200 (Black-Scholes: expected life of three years, risk free rate of 0.81%, expected dividend yield of 0% and expected volatility of 100%). The value of these Options are recorded as administrative expenses over the vesting period(s). A total of \$9,260 was expensed during the period (\$16,730 – 2017 fiscal year). On March 31, 2018, 100,000 of these Options were exercisable.

3. Options issued to Senior Management

By unanimous resolution, on September 17, 2017, the Board of Directors approved the issuance of a total of 1,250,000 Options, exercisable at \$0.18 per Option and valued at \$168,000 (Black-Scholes: expected life of five years, risk free rate of 1.56%, expected dividend yield of 0% and expected volatility of 100%). These Options were issued to each of five Senior Management (250,000 to each) on that date. Half (625,000) of these Options vest two years from issue and the remaining half vest three years from the date of issue, with all Options expiring five years from the issue date or ninety days after the employer-employee relationship is severed with cause. The value of these Options is included in administration expenses over their vesting period(s). A total of \$31,590 was expensed during the period (\$15,795 – 2017 fiscal year). None of these Options are currently exercisable.

MEMEX INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017**

(Canadian dollars)

The following table reflects the stock-based compensation Options issued and outstanding as at March 31, 2018:

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	539,400
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
January 19, 2018	January 19, 2020	0.125	87,300
January 19, 2018	January 19, 2023	0.125	250,000
March 15, 2018	March 15, 2021	0.07	500,000
			6,121,020

During the current period there have been no Options exercised, and 59,000 have expired. A total of 484,672 Options were exercised for total proceeds of \$91,934 during the fiscal year ended September 30, 2017, and a total of 751,475 Options expired.

11. Contractual obligations

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):

Period	
From April 1, 2018 until March 31, 2019	\$ 36,894
From April 1, 2019 until March 31, 2020	60,673
From April 1, 2020 until March 31, 2021	77,400
From April 1, 2021 until March 31, 2022	81,700
From April 1, 2022 until March 31, 2023	89,763
After March 31, 2023	216,613

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 March 31, 2018, \$212,028 of accounts receivable were greater than 90 days (September 30, 2017 - \$233,005).

(c) Market risk

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

MEMEX INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

(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 period ended March 31, 2018, 95.2% of the Company's sales were in US dollars (fiscal 2017 - 95.6%). Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As of March 31, 2018, cash and cash equivalents, trade receivables and accounts payable of \$473,055, \$418,306 and \$21,043 respectively (\$545,078, \$410,361 and \$29,431 respectively at September 30, 2017) originated in US dollars and were converted into Canadian dollars at an exchange rate of 1.29 (1.25 at September 30, 2017). A plus or minus 5% change in foreign exchange rate would affect loss and comprehensive loss by approximately \$43,500.

(ii) Interest rate risk

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

(iii) Other price risk

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

13. Related party transactions and balances

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

For the periods ended March 31	Three months		Six months	
	2018	2017	2018	2017
Salaries, benefits and directors' fees	\$241,403	\$181,624	\$508,337	\$ 381,810

Amounts owing to key management personnel included in long-term liabilities at March 31, 2018 totaled \$ 138,313, unchanged from September 30, 2017. There were no amounts receivable from any key management, Company Officers, Directors or other related parties on these dates.

For the period ended March 31, 2018 the non-Executive Officer Directors received \$7,000 (\$1,000 per Director per quarter) for their services to the Company. In addition, \$3,692 relating to stock-based compensation was recognized for the period (for year ended September 30, 2017 - \$16,000 plus \$11,522 in stock-based compensation).

A Partner at Nerland Lindsey LLP ("NLLLP") manages corporate legal matters on behalf of the Company and is also a member of the Company's Board of Directors. For the period ended March 31, 2018 the Company has incurred a total of \$4,844 (year ended September 30, 2017 - \$91,734) in legal fees from NLLLP.

For the period ended March 31, 2018 the Company paid \$12,060 (year ended September 30, 2017 - \$17,482) to Gladstone's Inc. for the creation and production of sales and marketing materials, as well as for other general marketing products and services. Gladstone's Inc. is owned by the spouse of the President, C.E.O. and Chairman of the Board.

14. Capital management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended March 31, 2018 or the year ended September 30, 2017.

MEMEX INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

15. Income taxes

Deferred tax assets have not been recognized in respect to deductible temporary differences of approximately \$13,589,000 (as of September 30, 2017 - \$12,300,000) of which \$12,035,000 (as of September 30, 2017 – \$10,700,000) arises from non-capital losses. The non-capital losses expire between 2030 and 2039, and most of the remaining differences may be carried forward indefinitely.

16. Earnings per share and dividends per share

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the three and six-month periods ended March 31, 2018 (and 2017) were based on a net and comprehensive losses of \$511,295 (Q2-2017 – \$1,262,568), and \$1,496,517 (YTD-2017 - \$2,025,173) respectively, and a weighted average number of Shares outstanding for the periods of 134,156,883 (Q2-2017 – 116,028,862) and 134,156,883 (YTD-2017 – 114,896,926) respectively.

(b) Dividends

There were no dividends declared or paid by the Company in the period ended March 31, 2018 or the year ended September 30, 2017. After the respective reporting dates, there have been no dividends proposed by the directors.

17. Analysis of expenses by nature

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

(a) Cost of sales

For the periods ended March 31	Three months		Six months	
	2018	2017	2018	2017
Materials	\$ 60,386	\$ 71,902	\$ 120,677	\$ 123,791
Direct labour	116,430	138,255	227,481	263,249
Other direct costs	34,252	15,478	60,191	46,946
Amortization	10,122	10,123	20,245	20,246
	<u>\$ 221,190</u>	<u>\$ 235,758</u>	<u>\$ 428,594</u>	<u>\$ 454,232</u>

(b) Operating expenses

For the periods ended March 31	Three months		Six months	
	2018	2017	2018	2017
Labour and benefits	\$ 654,163	\$ 742,606	\$ 1,349,234	\$ 1,429,653
Advertising and marketing	69,175	155,938	214,799	242,434
Office and other miscellaneous	79,370	154,097	103,942	185,091
Bad debts	-	9,923	-	43,947
Insurance	7,561	8,405	14,855	16,715
Professional fees	15,550	15,481	29,672	46,264
Occupancy	43,182	42,774	85,956	85,058
Communications and support	23,974	28,778	48,668	67,939
Depreciation and amortization	12,654	14,633	25,308	27,782
Travel	90,657	91,139	197,753	180,040
Stock-based compensation	59,741	53,825	108,123	84,137
Development costs	10,630	19,273	20,528	30,625
Net loss on foreign exchange	(25,466)	25,429	(30,476)	(4,641)
	<u>\$ 1,041,191</u>	<u>\$ 1,362,301</u>	<u>\$ 2,168,362</u>	<u>\$ 2,435,044</u>

MEMEX INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017

(Canadian dollars)

18. Segmented information

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

For the three-months ended March 31

	2018		2017	
	%	Revenue	%	Revenue
Canada	4.4	\$ 33,881	7.2	\$ 24,898
United States	95.0	725,887	88.7	308,377
Other	0.6	4,251	4.1	14,321
		<u>\$ 764,019</u>		<u>\$ 347,596</u>

For the six-months ended March 31

	2018		2017	
	%	Revenue	%	Revenue
Canada	4.8	\$ 54,366	5.8	\$ 49,755
United States	93.2	1,049,126	88.7	756,127
Other	2.0	22,727	5.5	46,762
		<u>\$ 1,126,219</u>		<u>\$ 852,644</u>

19. Additional cash flows information

Changes in non-cash working capital items consist of:

	Three months		Six months	
	2018	2017	2018	2017
For the three-months ended March 31				
Trade and other receivables	\$ 8,226	\$ (49,435)	\$ (92,268)	\$ 428,488
Inventory	(55,739)	(91,647)	(87,612)	(246,637)
Prepaid expenses	(14,670)	(5,984)	(29,926)	(16,233)
Accounts payable and accrued liabilities	(63,746)	180,419	(235,878)	90,977
Unearned revenue	(135,164)	166,317	98,550	(6,042)
	<u>\$ (261,093)</u>	<u>\$ 199,670</u>	<u>\$ (347,134)</u>	<u>\$ 450,553</u>