Memex Inc.

Management's Discussion and Analysis

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

MEMEX

Measuring Manufacturing Excellence™

This Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") of Memex Inc. ("Memex" or the "Company") pertain to the three and nine-month periods ended June 30, 2017. This MD&A should be read in conjunction with the condensed interim consolidated financial statements of the Company and the related notes for the three and nine-month periods ended June 30, 2017 and 2016 and readers are encouraged to refer to the Company's consolidated financial statements for its most recent year ended September 30, 2016. The MD&A is prepared as at **August 23, 2017** and is current to that date unless otherwise stated. The condensed interim consolidated financial statements and extracts of those financial statements provided within this MD&A, except as otherwise stated ('Other Financial Measures') have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF MEMEX

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

Memex is an Industrial Internet of Things (IIoT) leader. Its flagship product MERLIN is a software-driven IIoT communications platform that provides manufacturing analytics in real time.

MERLIN's customers are generally focused in the discrete manufacturing and aerospace sectors. In addition to the Company's direct sales force it is also growing a worldwide group of resellers, system integrators and Original Equipment Manufacturers ("OEM's") to expand its global sales footprint.

MERLIN delivers manufacturing productivity metrics including Overall Equipment Effectiveness ("OEE") in real time, from the shop-floor-to-top-floor. Specifically, MERLIN delivers a 10%-50% average productivity increase, and earns 20%-plus profit improvement based on just a 10% increase in OEE. It consistently achieves payback in less than four months with an Internal Rate of Return ("IRR") greater than 300%, and connects to any machine, old or new, utilizing native MTConnect or hardware adapters for older machines.

Q3 FISCAL 2017 and SUBSEQUENT HIGHLIGHTS

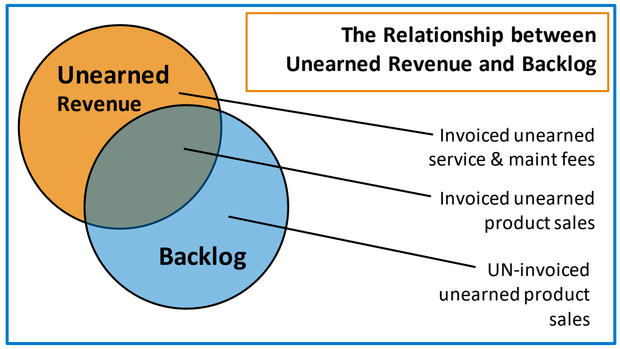
- Memex generated $1.04 million in bookings for Q3-2017, its highest ever quarterly achievement, and finished the quarter with $1.57 million in backlog, the highest level the Company has ever seen;
- The Company secured its largest ever single-customer project, SEW Eurodrive, worth more than $450 thousand dollars for a plant-wide MERLIN implementation;
- The Company restructured its Sales Management and hired new VP of Sales, John Artman, to mine Memex's existing U.S. Pipeline, and to develop new markets and growth opportunities;
- The Company engaged SalesForce to assist and monitor the Company's sales development activities; and
- The Company announced August 21, 2017 its engagement of Eight Capital to assist in raising $1.5 million to $2.0 million in capital through the sale of Memex securities.

OTHER FINANCIAL MEASURES

Management is using product 'bookings' and 'backlog' as key performance indicators ("KPI's") in assessing the overall performance of the Company. Neither bookings, nor backlog, have any standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other issuers. Management started monitoring bookings and backlog in the fourth quarter of fiscal 2015.

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

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



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

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

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

OVERALL PERFORMANCE

The Company showed a $3.10 million net and comprehensive loss for the nine-month period ended June 30, 2017 on $1.38 million in revenue equating to a $0.027 loss per share. This compares with a $2.08 million net and comprehensive loss on $2.10 million in total revenue for the nine-months ended June 30, 2016, and a $0.021 loss per share.

Bookings for the latest nine-month period totalled $2.00 million versus $2.61 million in the same period a year ago, and backlog at June 30, 2017 was $1.57 million, up $720 thousand from September 30, 2016 (last year end), and $570 thousand from one quarter ago.

Gross margin percentage for the nine-months ended June 30, 2017 of 50.5% is down from the 64.0% experienced in the same period a year ago.

Cash consumed from operating activities (before changes in working capital balances) was $2.91 million for the nine-month period, up from $2.06 million in the same period a year ago.

The Company had $976 thousand in working capital including $1.60 million in cash at June 30, 2017, as compared with $3.11 million in working capital and $2.90 million in cash at September 30, 2016.

SELECTED NINE-MONTH INFORMATION

For the nine months ended June 30 (Canadian dollars - in thousands except per share performance)	2017	2016	% change
Revenues	1,381	2,104	↓ 34%
Gross margin	697	1,347	↓ 48%
Operating expenses			
Development	737	893	↓ 17%
Selling and marketing	1,912	1,687	↑ 13%
Administration	1,129	927	↑ 22%
Loss from operations	(3,103)	(2,225)	↑ 39%
Net and comprehensive loss for the period	(3,103)	(2,079)	↑ 49%
Basic and diluted loss per share	(0.027)	(0.021)	↑ 29%
Weighted average shares outstanding	115,371	99,469	↑ 16%
Actual shares outstanding	116,337	102,003	↑ 14%

RESULTS OF OPERATIONS

Revenues and Bookings

The pipeline for future potential business remains robust, although year-to-date bookings of $2.00 million are still down 23% from the same period a year ago, however, more than half of the year-to date bookings came in the quarter just past.

The Company began F2017 with clients sitting on the side-lines due to uncertainties introduced during the 2016 U.S. election that impacted much of the discretionary spending within the US manufacturing sector. Mid-way through the third quarter this client behaviour appears to have shifted. Recent industry data also portrays an improving macro picture, with a U.S Commerce Department survey that showed factory activity rising to a 3-year high, and the U.S. Cutting Tool Institute report that June consumption increased 6% year-over-year, and year-to-date was up 5.8% compared to the same period in 2016. Management expects these trends to continue.

Revenues for the nine-months ended June 30, 2017 were $1.38 million, down $723 thousand, or 34% from the same period a year ago.

Bookings for the nine month ended June 30 (In thousands of Canadian dollars)	2017	2016	% change
Revenue for the period	**1,381**	**2,104**	↓ 34%
+ Backlog - end of period	1,567	782	↑ 100%
- Backlog - beginning of period	(848)	(409)	
+ or - change in unearned service & maint fees	(96)	128	
Bookings for the period	**2,004**	**2,605**	↓ 23%

Gross Margin and Cost of Sales

Gross margin for the current fiscal year to June 30, 2017 of $697 thousand is down 48% from the same period in fiscal 2016. Calculated as a percentage of revenue, gross margin was down 13.5% from the prior year period to 50.5%.

Customer service's relatively consistent (independent of volume) labour costs, combined with the lower current volume create the dollar and percentage decreases.

Operating Expenses

Operating expenses for the nine-months ended June 30, 2017 of $3.80 million were $228 thousand higher than the same period in fiscal 2016.

The spending level continues to be viewed by Management as an investment in future sales development as well as the infrastructure to support that additional volume. Spending remains within Management's expectations.

Development

Development spending is down 17% or $156 thousand to $737 thousand for the current year-to-date. Labour costs are down 14% and associated travel was down over 50% with fewer senior resources from the same period in the prior year. Other development costs were down $10 thousand.

Selling and marketing

Selling and marketing expenses for the nine-months ended June 30, 2017 were $225 thousand, or 13% higher than the comparable period in fiscal 2016. Labour and travel expenses collectively were roughly the same in both periods, however, marketing development and spending was up $204 thousand for the current period. At the beginning of 2017 the Company implemented its plans to participate in more than fifty thought leadership presentations throughout the calendar year that have and will encompass tradeshows, and both digital and print media. The objective is to continue market presence and penetration and to generate high quality leads.

Stock based compensation also added $18 thousand in non-cash expenses in the current YTD over the prior YTD.

Administration

Administrative expenses for the nine-months ended June 30, 2017 were up 22%, or $202 thousand from the same period a year ago. Employment costs and administrative labour accounted for $85 thousand of the increased spend, with the recognition of $44 thousand in bad debts and $93 thousand in recruitment fees being the other significant influences on the increased expense.

Administrative costs are within Management's expectations.

Loss from operations

The Company's loss from operations for the year of $3.10 million, was 49% higher than the $2.08 million loss of a year ago.

Other transactions effecting net and comprehensive loss

The present value adjustments relating to the IBI term loan offset by the interest accretion netted a $1 thousand charge to overall results for the quarter, with a $72 thousand net pick up booked a year ago. Bottom line improvements occur when the Company receives additional zero-interest-rate funding in the reporting period. The prior fiscal year also showed a $74 thousand pick-up on the early retirement of borrowings from the BDC.

Earnings per share

The basic and diluted loss per share of $0.027 for current year-to-date was based on a weighted average 115.3 million Common Shares outstanding (YTD2016 – $0.021 basic and diluted loss per share based on a weighted average 99.5 million shares outstanding).

SUMMARY OF THE LAST EIGHT QUARTERS RESULTS

(In thousands except per share amounts)	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
Revenue	451	575	614	571	919	806	505	348	529
Gross margin	227	387	375	305	666	580	287	112	299
Gross margin percentage	50.4%	67.3%	61.1%	53.4%	72.5%	71.9%	56.7%	32.2%	56.5%
Operating expenses	1,095	987	1,046	1,338	1,188	1,296	1,073	1,362	1,364
Net and comprehensive loss	(880)	(500)	(641)	(991)	(521)	(726)	(763)	(1,263)	(1,078)
Basic and diluted loss per share	(0.011)	(0.005)	(0.007)	(0.010)	(0.005)	(0.007)	(0.007)	(0.011)	(0.009)
Weighted average shares o/s-period	78,338	97,189	98,219	99,345	100,859	106,291	113,785	116,029	116,314
Shares outstanding-period end	96,648	98,060	98,279	100,463	102,003	112,344	115,304	116,207	116,337

LIQUIDITY

As at (Canadian dollars - in thousands except w orking capital ratio)	June 30, 2017	September 30, 2016	% change
Current assets	2,339	4,156	↓ 44%
Total assets	2,782	4,639	↓ 40%
Current liabilities	1,363	1,047	↑ 30%
Long-term liabilities	691	637	↑ 8%
Working capital*	976	3,109	↓ 69%
Working capital ratio**	1.72 to 1	3.97 to 1	

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

Working Capital

As at June 30, 2017 the Company had working capital of $976 thousand, including $1.60 million in cash, as compared with $3.11 million in working capital and $2.9 million in cash at September 30, 2016.

The Company received $755 thousand from the issuance of shares during the current year-to-date (YTD2016 - $542 thousand). The proceeds came from the exercise of stock options and the redemption of warrants.

The Company invested $31 thousand in capital equipment in the current quarter (YTD2016 - $40 thousand).

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

Liquidity risk

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

Foreign exchange risk

The Company's reporting currency is the Canadian dollar. With the exception of its sales force, its operations are in Canada, and most expenses incurred continue to be denominated in Canadian dollars. The Company's customer base continues to expand throughout North America and other parts of the world, and Memex currently generates the majority of its revenue outside Canada. All quotes to non-Canadian Customers are prepared in US dollars. The Company includes the right to adjust quoted prices for significant fluctuations between the quoted currency and the Canadian dollar, providing Management the opportunity to significantly reduce the foreign currency exchange risk.

Each non-Canadian dollar quote issued is reviewed for foreign currency risk potential prior to issue. The Company has not undertaken any foreign exchange contracts to manage any exposures, but may do so in the future.

At June 30, 2017, the Company employed or otherwise contracted eight full-time US residents. All other utilized labour is Canadian. Also at June 30, 2017 the company possessed $1.01 million (net) in US denominated assets.

Credit risk

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

Cash and cash equivalents

Operating activities

Net cash consumed through operating activities for the nine-month period ended June 30, 2017 of $2.10 million is up $204 thousand from the same period in fiscal 2016. Management continues to monitor the monthly cash consumption to ensure capital continues to be available to fund ongoing activities.

Investing activities

The Company spent a total of $31 thousand on capital additions during the period, down $9 thousand from the same period a year ago.

Financing activities

The Company generated $755 thousand through the exercise of stock options and redemption of warrants in the current year-to-date. The Company also received a total of $80 thousand in long-term financing from FedDev Ontario.

Below is a summary of the cash flows provided by (used in) operating, financing and investing activities:

For the nine months ended June 30 (Canadian dollars - in thousands)	**2017**	**2016**	**% change**
Net Cash flows generated (used) in operating activities	(2,101)	(2,305)	↓ 9%
Net Cash flows provided through (used) in investing activities	(31)	(40)	↓ 23%
Net Cash flows provided by financing activities	835	545	↑ 53%
Cash, beginning	2,899	3,316	↓ 13%
Cash, end	1,601	1,516	↑ 6%

Contractual obligations

The Company is engaged in operating leases for its premises in Burlington, Ontario. Remaining contractual obligations for this lease (excluding utilities and common area allocation) amount to $70 thousand over the next nine months. The lease expires March 2018.

On January 7, 2017, the Company confirmed investor relations firm, Sophic Capital Inc.'s continued engagement, for twelve months to assist in the marketing and promotion of the Company for a monthly fee of $6 thousand as well as 250 thousand options to purchase Common Shares at $0.275 per share. One quarter of these options vested in April 2017, another quarter will vest in July 2017, and the final two quarters will vest in October 2017 and January 2018. This agreement is cancellable by either party after thirty-days written notice. Sophic's 250 thousand options in January 2017 were in addition to the 250 thousand options they received when they were initially engaged in January 2016.

CAPITAL RESOURCES

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

Operating and other bank credit facilities

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

Outstanding share and other issued securities information

The following table shows the number of securities the Company has outstanding as at **August 23, 2017**:

Security	***Thousands* of Issued and Outstanding**
Common Shares	116,337
Options to purchase common shares by current and former directors and officers[1]	1,961
Options to purchase common shares by non-officer employees and contractors[1]	1,357
Options to purchase common shares by investor relations firms[1]	500

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

On June 2, 2017, all outstanding Company Warrants (a total of 8.39 million) expired. The redemption price of 96.5% of these expired Warrants was $0.25.

Transactions with Related Parties

Related parties include key management personnel, significant shareholders of the Company (those holding greater than 10% of the total outstanding shares), close family members and enterprises that are controlled by these individuals, as well as the Board of Directors of the Company. As at **August 23, 2017** only Company CEO and

President, David McPhail (14.6%) owns (through an entity he controls) more than 10% of the total outstanding shares of the Company.

As at June 30, 2017, the balance of loans and advances to the Company from key management personnel totalled $138 thousand. An enterprise controlled by Company CEO and President, Dave McPhail is owed $87 thousand for unpaid management fees between July 2010 and June 2011, and an enterprise controlled by VP of Marketing and Customer Development, John Rattray, is owed $51 thousand for unpaid management fees between July 2009 and April 2010.

The Company has engaged Shea Nerland LLP ("SNLLP") to manage its corporate legal matters. Joe Brennan is both a Partner at SNLLP and a member of the Company's Board of Directors. For the period ended June 30, 2017 the Company had incurred $44 thousand in legal fees from SNLLP (for the year ended September 30, 2016 - $32 thousand).

Including quarterly Director's fees of one thousand dollars per (non-Executive Officer) Director and the expensed value of non-vested stock options (Black-Scholes), Company Director's compensation totaled $24 thousand for the period (for the year ended September 30, 2016 - $57 thousand).

The Company has engaged Gladstone's Inc. ("Gladstone's") to assist in the creation and production of sales and marketing materials, as well as provide general marketing services. Dave McPhail, President, C.E.O., and Chairman of the Board of the Company, is related (spouse) to the sole-shareholder of Gladstone's. The Company paid Gladstone's $17 thousand during the period ended June 30, 2017 (for the year ended September 30, 2016 - $95 thousand) in fees.

Subsequent Events

Board approval for the issuance of Company Common Shares and Warrants

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

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

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

THIRD QUARTER RESULTS

For the three months ended June 30 (Canadian dollars - in thousands except per share performance)	**2017**	**2016**	**% change**
Revenues	529	919	↓ 42%
Gross margin	299	666	↓ 55%
Operating expenses			
Development	232	273	↓ 15%
Selling and marketing	783	599	↑ 31%
Administration	323	299	↑ 8%
Loss from operations	(1,066)	(522)	↑ 104%
Net and comprehensive loss for the period	(1,078)	(447)	↑ 141%
Basic and diluted loss per share	(0.009)	(0.004)	↑ 113%
Weighted average shares outstanding	116,314	100,859	↑ 15%
Actual shares outstanding	116,337	102,003	↑ 14%

Revenues and Bookings

Revenues for the third quarter ended June 30, 2017 were $529 thousand, down 42% from the same quarter a year ago. Sales volume is however a 52% increase from Q2, and management sees this as an indicator that the economic uncertainty felt by the U.S. manufacturing sector in the first two quarters of fiscal 2017, is fading.

The third quarter generated $1.04 million in bookings, up $146 thousand, or 16% from the same period a year ago, and 82% higher than Q2-2017. This volume represents the highest quarterly bookings achievement to date. This achievement is due in part to the Company securing its largest single-customer order in Q3. Management interprets these results as a strong indication that confidence is returning to its US customer-base, where the Company has generated 90.1% of its revenue in the current year thus far, and 87.4% in fiscal 2016.

Bookings for the three month periods ended June 30 (In thousands of Canadian dollars)	**2017**	**2016**	**% change**
Revenue for the Quarter	**529**	**919**	↓ 42%
+ Backlog - end of period	1,567	782	↑ 100%
- Backlog - beginning of period	(997)	(923)	
+ or - change in unearned service & maint fees	(58)	117	
Bookings for the Quarter	**1,041**	**895**	↑ 16%

Gross Margin and Cost of Sales

Gross margin for the three months ended June 30, 2017 of $299 thousand is down $367 thousand from the same quarter a year ago. Calculated as a percentage of revenue, the current quarter's 56.5% gross margin is down 16 points from the same quarter a year ago. The dollar and percentage margin decreases reflect the decrease in total sales volume, with client services costs not scalable to the decline in revenue, making their costs as a percentage become greater.

Development

Development costs were down 15% or $41 thousand to $232 thousand from the same quarter last year. Labour and associated travel costs were down $29 thousand, travel down $15 thousand, both relating to headcount changes with other development costs up $4 thousand related to software requirements and licencing.

Selling and marketing

Selling and marketing expenses for the quarter were $194 thousand higher than the same period a year ago, totalling $793 thousand. Labour spending was up $61 thousand and travel was up $51 thousand, both directly related to headcount fluctuations, replacing two sales rep's and engaging a new VP of Sales at the end of Q2 and beginning of Q3 2017. Advertising and marketing spending was up $75 thousand in Q3 (over the prior fiscal year quarter), as management implemented its plans to participate in more than fifty thought leadership presentations throughout the calendar year. They will encompass tradeshows, and both digital and print media.

Administration

Administrative expenses for the quarter were up 5%, or $14 thousand when compared with the same period a year ago. The Company paid $14 thousand in the quarter to a workforce recruiter, who assisted in several sales force replacements. Administrative labour and Company benefits made up the balance of the spending increase.

Administrative costs remain within Management's expectations.

Loss from operations

The Company's loss from operations for the current quarter of $1.08 million, was $631 thousand, higher than the loss of the same period year ago.

Earnings per share

The basic and diluted loss per share of $0.009 for the third quarter of 2017 was based on a weighted average 116.31 million Common Shares outstanding (Q3-2016 – $0.004 basic and diluted loss per share based on a weighted average 100.86 million Common Shares outstanding).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The most significant economic conditions effecting Company estimates would relate to Canada's ongoing business relationship with the United States. During the current and prior reporting periods management did not feel that changes in those or any other economic conditions relevant to the Company's operations (primarily fluctuations in the Canadian and U.S. currency trading rates) have had an effect on the methods or assumptions used to determine its critical accounting estimates.

Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the Company's financial statements. It is believed that there have been no significant changes in the critical accounting estimates for the periods presented in the financial statements.

Revenue recognition

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

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

(a) Software

Revenue from software is recognized once it is installed on customer equipment.

(b) Support

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

(c) Hardware and installation

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

(d) Multiple-element arrangements

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

Financial Instruments

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

(a) Held-to-maturity financial assets

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

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

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

(c) Loans and receivables

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

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

(d) Other financial liabilities

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

Asset impairment

(a) Financial assets

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

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

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

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

(b) Non-financial assets

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

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

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

Research and development expense

All expenses related to development activities which do not meet generally accepted criteria for deferral, and research activities are expensed as incurred.

Development costs of new software for sale, net of investment tax credits, are capitalized as deferred development costs if they meet the accepted criteria for deferral. These costs are then amortized over the estimated product life based upon the number of units sold in each period and the total anticipated unit sales.

Investment tax credits

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

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

Income taxes

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

RISKS AND UNCERTAINTIES TO THE COMPANY

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

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

Effects on Revenue of Customer speculation or knowledge of future product or feature releases

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

Effects of US Government policies on trade relations between Canada and the US

The United States has been, and is anticipated to continue be the primary market for the Company for the foreseeable future. In fiscal 2016, 87.4% of sales were to US customers, and in 2015 US customers accounted for 63.9% of total revenue.

The US Government, empowered through the country's most recent election, has continued interest in renegotiating and altering the North American Free Trade Agreement ("NAFTA") with Canada. NAFTA provides the Company access to its US Customers and protection against tariffs, duties and other charges or fees that could jeopardize the Company's ability to remain competitive when compared to US-based suppliers of similar products. It is uncertain whether the US Government may successfully change or alter the terms of the NAFTA, and what effects those changes may have on the Company's ability to access prospective US Customers.

Further, unlegislated proposals from the current US Government administration have contemplated prohibitive actions against foreign business trying to compete in the US economy. It is uncertain whether the US Government will proceed with any proposed or contemplated actions, or the effects those actions may have on the Company's ability to access prospective US Customers.

History of Losses and the Inability to Achieve or Sustain Profitability

The Company showed a profit for the year ended September 30, 2011 followed by net losses for the years ended September 30, 2012, 2013, 2014, 2015 and 2016. There is no certainty that the Company will become profitable in the short term or if it will continue to incur net losses through 2017 and beyond.

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

IIoT Software is a Relatively New Market

The Company derives, and it is expected that the Company will continue to derive, substantially all of its revenue from selling its flagship product MERLIN, a software-driven IIoT communications platform that provides manufacturing analytics in real time. This is a relatively new and rapidly evolving market, where over 90% of manufacturing companies have still to adopt manufacturing analytics software. If the market for MERLIN fails to grow or grows more slowly than the Company currently anticipates, the Company's business would be negatively affected. The Company has targeted expansion into markets it believes are most likely to adopt MERLIN. However, the Company's efforts to expand within and beyond the current markets may not be achieved at the rate of adoption the Company anticipates.

No Assurance that Cash flow from Operations, Debt or Equity Financing will be Available

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

Retention of Key Personnel

The Company's performance is substantially dependent on the performance of its executive officers and key employees. The loss of the services of any of the Company's executive officers or other key employees could significantly harm its business. Other than as required to satisfy lending requirements the Company does not expect to maintain "key person" life insurance policies on any of its employees. Memex does not currently have a formal succession program or management training program in place for succession or training of management.

Competition

The Company is engaged in an industry that is highly competitive, is evolving and is characterized by technological change. As a result, it is difficult for it to predict whether, when and by whom new competing technologies or new competitors may enter the market. Some of these current and potential competitors are much larger than the Company with access to significant resources it cannot currently match. The Company cannot assure that it will be able to compete effectively against current and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations.

Protection of Intellectual Property

The Company's commercial success depends to a significant degree upon its ability to continue to develop and improve its core product software, MERLIN, and to maintain the associated hardware technologies and products that support this software. Despite its efforts to protect and maintain security around the Company's Intellectual Property ("IP"), competitors and other third parties may be able to design around or develop products similar to those of Memex.

A number of the Company's competitors and other third parties have been issued patents, or may have filed patent applications, or may obtain additional patents or other IP rights for technologies similar to those that the Company has developed, or may develop, use or commercialize, in the future. As certain patent applications in the United States and other countries are maintained in secrecy for a period of time after filing, and as publication or public awareness of new technologies often lags behind actual discoveries, the Company cannot be certain that it has been the first to develop the technology. Further, prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources.

In addition, while the Company generally enters into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, distributors and dealers and with others to attempt to limit access to and distribution of its proprietary and confidential information, it is possible that:

- misappropriation of its proprietary and confidential information, including technology, will nevertheless occur;
- its confidentiality agreements will not be honored or may be rendered unenforceable;
- third parties will independently develop equivalent, superior or competitive technology or products;
- disputes will arise with its current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registerability of IP; or
- unauthorized disclosure of its know-how, trade secrets or other proprietary or confidential information will occur.

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

Intellectual Property of Others

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

The Company may in the future receive claims from third parties asserting infringement and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third-party IP rights or to protect, maintain and enforce the Company's IP rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than it has, and these competitors may be able to sustain the costs of complex IP litigation to a greater degree and for longer periods of time than the Company can. Regardless of whether claims that it is infringing or violating patents or other IP rights have any merit, those claims could:

- adversely affect the Company's relationships with current or future distributors and dealers of its products;
- adversely affect its reputation with customers;
- be time-consuming and expensive to evaluate and defend;

- cause product shipment delays or stoppages;
- divert management's attention and resources;
- subject the Company to significant liabilities and damages;
- require it to enter into royalty or licensing agreements; or
- require it to cease certain activities, including the sale of products.

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

Information Technology Systems and Security

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

Failure to Manage Growth

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal, operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop its core product ensuring that it continues to respond to evolving customer needs;
- build a sales team to keep customers and channel partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

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

Litigation

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

Sales Forecasting

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

Foreign Exchange

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

RISKS RELATED TO AN INVESTMENT IN COMMON SHARES OF THE COMPANY

Concentration of Voting Power

Many common shares of the Company are concentrated in the hands of the Company's Senior Management team and its Board of Directors, whose collective holdings currently total 27.3%. As a result, these shareholders may have a significant influence over any matters requiring shareholder approval, including the election of directors and significant corporate transactions such as a business combination, takeover proposal or other sale of the Company or its assets, for the foreseeable future.

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

Similarly, the combined shareholdings of a few shareholders, who are the former shareholders of the private company, Astrix Networks Inc. that was acquired by the Company in 2013 may also hold sufficient common shares to have a significant influence over such transactions. The former shareholders of Astrix Networks Inc. include DPA Automation Inc. (14.6%), a company controlled by the Company President and C.E.O., David McPhail, and Softservices Sales Inc. (6.7%), a company controlled by Company VP of Sales, John Rattray.

Dilution and Future Sales of Common Shares

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

Unpredictability and Volatility of the Common Share Price

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

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

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

Dividends

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

Financial Market Turmoil

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

Economic Downturn in the Global Economy

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

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

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