

# Cortex Business Solutions Inc.

## Condensed Consolidated Statements of Financial Position (Restated)

(Prepared in Canadian dollars)  
(unaudited)

	January 31 2014 (restated note 2)	July 31 2013
<b>Assets</b>		
Current assets		
Cash	\$ 2,525,626	\$ 5,179,066
Accounts receivable (notes 4 and 13(c))	678,025	651,782
Prepaid expenses and deposits	148,094	167,870
Investments	<u>50,000</u>	<u>50,000</u>
	3,401,745	6,048,718
Property and equipment (note 5)	414,551	476,735
Intangible assets (note 6)	<u>4,459,333</u>	<u>4,275,120</u>
	<u>\$ 8,275,629</u>	<u>\$ 10,800,573</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 957,246	\$ 1,376,201
Current portion of deferred revenue	262,195	539,853
Current portion of rebate provision (note 8)	<u>426,332</u>	<u>382,315</u>
	1,645,773	2,298,369
Deferred revenue	-	4,500
Rebate provision (note 8)	<u>1,254,285</u>	<u>1,274,600</u>
	<u>2,900,058</u>	<u>3,577,469</u>
<b>Shareholders' Equity</b>		
Share capital (note 9)	48,126,705	47,713,288
Accumulated other comprehensive income	101,380	-
Warrants (note 9)	980,941	980,941
Contributed surplus	6,784,095	6,492,495
Deficit	<u>(50,617,550)</u>	<u>(47,963,620)</u>
	<u>5,375,571</u>	<u>7,223,104</u>
	<u>\$ 8,275,629</u>	<u>\$ 10,800,573</u>
Going concern (note 1)		
Commitments (note 12)		
Subsequent events (note 15)		
See accompanying notes		

Approved by the Board:

(Signed) "Art Smith", Director

(Signed) "Randy Henderson", Director

# Cortex Business Solutions Inc.

## Condensed Consolidated Statements of Loss and Comprehensive Loss (Restated)

### For the three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

	Three months ended January 31		Six months ended January 31	
	2014 (restated note 2)	2013 (restated note 2)	2014 (restated note 2)	2013 (restated note 2)
<b>Revenue</b>				
Access and usage fees	\$ 1,829,303	\$ 1,318,275	\$ 3,485,118	\$ 2,556,171
Integration fees	119,962	73,134	209,539	132,176
Set-up fees	29,229	110,784	74,419	217,388
Project management	<u>5,575</u>	<u>-</u>	<u>5,575</u>	<u>-</u>
	<u>1,984,069</u>	<u>1,502,193</u>	<u>3,774,651</u>	<u>2,905,735</u>
<b>Expenses</b>				
Salaries, employee benefits and subcontract	2,094,378	2,282,151	4,358,501	4,392,199
General and administrative	314,461	233,910	601,696	464,343
Commissions, rebates and credit card charges	91,514	129,020	196,467	214,284
Rent	105,649	78,695	211,098	160,207
Professional fees	79,953	54,036	239,614	97,926
Internet and hosting costs	26,435	26,074	50,443	53,542
Market expansion and product development	-	228,710	-	558,880
Stock-based compensation (note 10)	148,837	125,124	300,105	234,461
Amortization	<u>305,079</u>	<u>168,284</u>	<u>461,032</u>	<u>337,421</u>
	<u>3,166,306</u>	<u>3,326,004</u>	<u>6,418,956</u>	<u>6,513,263</u>
Loss before the following	(1,182,237)	(1,823,811)	(2,644,305)	(3,607,528)
Finance income (expense) (note 11)	<u>(7,753)</u>	<u>(3,441)</u>	<u>(9,624)</u>	<u>177</u>
Net loss	\$ <u>(1,189,990)</u>	\$ <u>(1,827,252)</u>	\$ <u>(2,653,929)</u>	\$ <u>(3,607,351)</u>
Other comprehensive earnings				
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange gain (loss) on foreign operations	<u>101,380</u>	<u>-</u>	<u>101,380</u>	<u>-</u>
Comprehensive loss	\$ <u>(1,088,610)</u>	\$ <u>(1,827,252)</u>	\$ <u>(2,552,549)</u>	\$ <u>(3,607,351)</u>
Net loss per share-basic and diluted (note 9(d))	\$ <u>0.00</u>	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>

See accompanying notes

# Cortex Business Solutions Inc.

## Condensed Consolidated Statements of Changes in Shareholders' Equity (Restated)

(Prepared in Canadian dollars)  
(unaudited)

	Number of Common shares	Common shares stated value	Number of Warrants	Warrants stated value	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity
Balance - July 31, 2012 (restated)	217,261,141	\$ 41,858,963	9,806,563	\$ 753,202	\$ 5,029,271	\$ -	\$ (41,086,316)	\$ 6,555,120
Net loss	-	-	-	-	-	-	(3,607,351)	(3,607,351)
Options exercised for cash	191,667	28,750	-	-	-	-	-	28,750
Transferred on exercise of options	-	31,855	-	-	(31,855)	-	-	-
Issued in lieu of salaries and bonus	2,574,567	508,247	-	-	-	-	-	508,247
Issuance costs	-	(6,526)	-	-	-	-	-	(6,526)
Stock-based compensation	-	-	-	-	234,461	-	-	234,461
Expiration of Compensation units and warrants	-	-	(8,333,500)	(653,969)	653,969	-	-	-
Balance, January 31, 2013 (restated)	<u>220,027,375</u>	<u>42,421,289</u>	<u>1,473,063</u>	<u>99,233</u>	<u>5,885,846</u>	<u>-</u>	<u>(44,693,667)</u>	<u>3,712,701</u>
Balance - July 31, 2013 (restated)	259,147,375	47,713,288	22,379,000	980,941	6,492,492	-	(47,963,621)	8,851,501
Net loss	-	-	-	-	-	-	(2,653,929)	(2,653,929)
Foreign exchange translation of foreign operations	-	-	-	-	-	101,380	-	101,380
Options exercised for cash	65,852	13,480	-	-	-	-	-	13,480
Transferred on exercise of options	-	8,502	-	-	(8,502)	-	-	-
Issued in lieu of salaries and bonus	2,484,200	397,472	-	-	-	-	-	397,472
Issuance costs	-	(6,037)	-	-	-	-	-	(6,037)
Stock-based compensation	-	-	-	-	300,105	-	-	300,105
Balance - January 31, 2014 (restated)	<u>261,697,427</u>	<u>\$ 48,126,705</u>	<u>22,379,000</u>	<u>\$ 980,941</u>	<u>\$ 6,784,095</u>	<u>\$ 101,380</u>	<u>\$ (50,617,550)</u>	<u>\$ 7,003,972</u>

See accompanying notes

# Cortex Business Solutions Inc.

## Condensed Consolidated Statements of Cash Flows (Restated)

### For the three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

	Three months ended January 31		Six months ended January 31	
	2014	2013	2014	2013
	(restated note 2)	(restated note 2)	(restated note 2)	(restated note 2)
Cash provided by (used in)				
Operating activities				
Net loss	\$ (1,189,990)	\$ (1,827,252)	\$ (2,653,929)	\$ (3,607,351)
Items not affecting cash				
Stock-based compensation	148,837	125,124	300,105	234,461
Amortization	305,079	168,284	461,032	337,421
Salaries paid in shares (note 9(c))	16,000	(72,020)	16,000	(78,242)
Accretion on rebate provision	<u>11,851</u>	<u>9,654</u>	<u>23,702</u>	<u>19,308</u>
	(708,223)	(1,596,210)	(1,853,090)	(3,094,403)
Rebate payment (note 8)	-	-	-	(238,901)
Changes in non-cash working capital	<u>(460,010)</u>	<u>(210,972)</u>	<u>(312,827)</u>	<u>(141,513)</u>
Net cash used in operating activities	<u>(1,168,233)</u>	<u>(1,807,182)</u>	<u>(2,165,917)</u>	<u>(3,474,817)</u>
Financing activities				
Proceeds from issuance of shares	-	-	-	22,224
Proceeds from exercise of stock options	-	-	13,480	-
Share issuance costs	<u>(3,282)</u>	<u>(4,084)</u>	<u>(6,037)</u>	<u>-</u>
Net cash from (used in) financing activities	(3,282)	(4,084)	7,443	22,224
Investing activities				
Acquisition of property and equipment	(2,666)	(89,334)	(5,325)	(98,167)
Intangible asset costs	(226,654)	(439,721)	(577,732)	(802,550)
Changes in non-cash working capital	<u>-</u>	<u>(105,434)</u>	<u>-</u>	<u>(114,342)</u>
Net cash used in investing activities	<u>(229,320)</u>	<u>(634,489)</u>	<u>(583,057)</u>	<u>(1,015,059)</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	<u>88,091</u>	<u>-</u>	<u>88,091</u>	<u>-</u>
Cash outflow	(1,312,744)	(2,445,755)	(2,653,440)	(4,467,652)
Cash, beginning of period	<u>3,838,370</u>	<u>4,729,073</u>	<u>5,179,066</u>	<u>6,750,970</u>
Cash, end of period	<u>\$ 2,525,626</u>	<u>\$ 2,283,318</u>	<u>\$ 2,525,626</u>	<u>\$ 2,283,318</u>
Non-cash transactions:				
Issuance of shares in lieu of salaries and bonuses including prior period amounts accrued (note 9(c))	<u>\$ 16,000</u>	<u>\$ 453,802</u>	<u>\$ 16,000</u>	<u>\$ 635,604</u>

See accompanying notes

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

---

1. Nature of operations and going concern

Cortex Business Solutions Inc. ("Cortex" or the "Company") is listed on the TSX Venture Exchange and its primary business is the supply of eCommerce products and services that improves efficiencies, reduces costs and streamlines procurement and supply chain processes for its customers in both Canada and the United States of America ("U.S."). The head office and principal address of the Company is 3404 25th St N.E., Calgary, AB T1Y 6C1.

The Company has reported net losses for the three month period ended January 31, 2014 and the year ended July 31, 2013 of \$1,189,990 and \$6,877,304 respectively, and has a cumulative deficit of \$50,617,550 as at January 31, 2014. The ability of the Company to continue as a going concern is dependent upon future profitable operations. When the Company can attain profitability and generate positive cash flows from operations is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company has raised funds in the year ended July 31, 2013 through a short form prospectus for gross proceeds of \$7,316,960 and raised additional funds through a short form prospectus on February 28, 2014 for gross proceeds of \$10,000,000 (note 15). The Company's cash position at January 31, 2014 is \$2,525,626. The Company's will need to closely monitor its cash on a regular basis and will need to take the necessary measures to preserve cash such as reduce operating costs, increase sales and seek additional sources of financing until the Company starts to generate sufficient cash flows from operations. There is no assurance that these initiatives will be successful.

These restated condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Until the Company can achieve profitable operations, the Company may require additional debt or equity financing and should it not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities and expenses would be required. Any adjustments that may be required could be significant.

The original condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on March 26, 2014. The restated condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2014.

2. Restatement of previously issued condensed consolidated interim financial statements

The Company has restated its condensed consolidated statements of financial position as of January 31, 2014, July 31, 2013 and its condensed consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the three and six months ended January 31, 2014 and January 31, 2013.

During the fourth quarter of 2014, management revisited a certain contract that the Company entered into during fiscal 2009 (the "Agreement"). The Agreement included a provision whereby the Company is obligated to pay a rebate based on future gross revenues earned by Cortex to a maximum of \$2,300,000 that is paid on the basis of 5% of the Company's gross revenue. Upon review of *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* and *IAS 32, Financial Instruments and Presentation's* contingent settlement liabilities, it was determined that a financial liability should have been recorded for this rebate. Consequently, the Company has determined that a restatement is required to reflect this provision. The provision has been determined by discounting the estimated risk-adjusted future gross revenues using a risk-free discount rate of 2.5%. Prior to this restatement, the Company had accrued the 5% rebate payable as actual gross revenues were earned and recorded a rebate expense accordingly. As a result of this error, the Company has retrospectively restated its condensed consolidated statements financial position as at January 31, 2014 along with the condensed consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the periods ended January 31, 2014 and January 31, 2013. The effect of this restatement was as follows: commissions and credit cards expenses have been reduced from \$190,319 and \$203,635 to \$91,514 and \$129,020 for the three months ended January 31, 2014 and January 31, 2013, and from \$383,976 and \$359,170 to \$196,467 and \$214,284 for the six months ended January 31, 2014 and January 31, 2013 respectively; finance income (expense) have been reduced from \$4,098 and \$6,213 to (\$7,753) and (\$3,441) for the three months ended

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 2. Restatement of previously issued condensed consolidated interim financial statements (continued)

January 31, 2014 and January 31, 2013 and from \$14,078 and \$19,485 to \$(9,624) and \$177 for the six months ended January 31, 2014 and January 31, 2013, respectively. The effect on the condensed consolidated statements of financial position has been to remove the accrued rebate payable previously included in accounts payable and accrued liabilities in the amount of \$216,023 as at January 31, 2014 and to include in the rebate provision current and noncurrent portion (note 8). The following tables describe the changes to the Company's condensed consolidated interim financial statements. There was no impact on the cash flows of the Company.

#### Effect on Consolidated Balance sheets

	January 31, 2014		
	As Reported	Adjustment	As Restated
<b>Assets</b>			
Current assets			
Cash	\$ 2,525,626	\$ -	\$ 2,525,626
Short-term investments	50,000	-	50,000
Accounts receivable	678,025	-	678,025
Prepaid expenses and deposits	<u>148,094</u>	<u>-</u>	<u>148,094</u>
	3,401,745	-	3,401,745
Property and equipment	414,551	-	414,551
Intangible assets	<u>4,459,333</u>	<u>-</u>	<u>4,459,333</u>
Total assets	<u>\$ 8,275,629</u>	<u>\$ -</u>	<u>\$ 8,275,629</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,173,269	\$ (216,023)	\$ 957,246
Current portion of deferred revenue	262,195	-	262,195
Current portion of rebate provision	<u>-</u>	<u>426,332</u>	<u>426,332</u>
	1,435,464	210,309	1,645,773
Deferred revenue	-	-	-
Rebate provision	<u>-</u>	<u>1,254,285</u>	<u>1,254,285</u>
	1,435,464	1,464,594	2,900,058
<b>Shareholders' Equity</b>			
Share capital	48,126,705	-	48,126,705
Accumulated other comprehensive income	101,380	-	101,380
Warrants	980,941	-	980,941
Contributed surplus	6,784,095	-	6,784,095
Deficit	<u>(49,152,956)</u>	<u>(1,464,594)</u>	<u>(50,617,550)</u>
	<u>6,840,165</u>	<u>(1,464,594)</u>	<u>5,375,571</u>
	<u>\$ 8,275,629</u>	<u>\$ -</u>	<u>\$ 8,275,629</u>

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 2. Restatement of previously issued condensed consolidated interim financial statements (continued)

##### Effect on Consolidated statement of loss and comprehensive loss

	Three months ended January 31, 2014			Three months ended January 31, 2013			Six months ended January 31, 2014			Six months ended January 31, 2013		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
Revenue												
Access and usage fees	\$ 1,829,303	\$ -	\$ 1,829,303	\$ 1,318,275	\$ -	\$ 1,318,275	\$ 3,485,118	\$ -	\$ 3,485,118	\$ 2,556,171	\$ -	\$ 2,556,171
Integration fees	119,962	-	119,962	73,134	-	73,134	209,539	-	209,539	132,176	-	132,176
Set-up fees	29,229	-	29,229	110,784	-	110,784	74,419	-	74,419	217,388	-	217,388
Project management	5,575	-	5,575	-	-	-	5,575	-	5,575	-	-	-
Total revenue	<u>1,984,069</u>	<u>-</u>	<u>1,984,069</u>	<u>1,502,193</u>	<u>-</u>	<u>1,502,193</u>	<u>3,774,651</u>	<u>-</u>	<u>3,774,651</u>	<u>2,905,735</u>	<u>-</u>	<u>2,905,735</u>
Expenses												
Salaries, employee benefits and subcontractor	2,094,378	-	2,094,378	2,282,151	-	2,282,151	4,358,501	-	4,358,501	4,392,199	-	4,392,199
General and administrative	314,461	-	314,461	233,910	-	233,910	601,696	-	601,696	464,343	-	464,343
Commissions and credit cards	190,319	(98,805)	91,514	203,635	(74,615)	129,020	383,976	(187,509)	196,467	359,170	(144,886)	214,284
Professional fee	79,953	-	79,953	54,036	-	54,036	239,614	-	239,614	97,926	-	97,926
Rent	105,649	-	105,649	78,695	-	78,695	211,098	-	211,098	160,207	-	160,207
Internet and hosting costs	26,435	-	26,435	26,074	-	26,074	50,443	-	50,443	53,542	-	53,542
Market expansion and product development	-	-	-	228,710	-	228,710	-	-	-	558,880	-	558,880
Stock based compensation	148,837	-	148,837	125,124	-	125,124	300,105	-	300,105	234,461	-	234,461
Amortization	305,079	-	305,079	168,284	-	168,284	461,032	-	461,032	337,421	-	337,421
Loss before the following	<u>\$ 3,265,111</u>	<u>\$ (98,805)</u>	<u>\$ 3,166,306</u>	<u>\$ 3,400,619</u>	<u>\$ (74,615)</u>	<u>\$ 3,326,004</u>	<u>\$ 6,606,465</u>	<u>\$ (187,509)</u>	<u>\$ 6,418,956</u>	<u>\$ 6,658,149</u>	<u>\$ (144,886)</u>	<u>\$ 6,513,263</u>
Finance Income (expense)	(1,281,042)	98,805	(1,182,237)	(1,898,426)	74,615	(1,823,811)	(2,831,814)	187,509	(2,644,305)	(3,752,414)	144,886	(3,607,528)
Net loss and comprehensive loss	<u>\$ (1,276,944)</u>	<u>\$ 86,954</u>	<u>\$ (1,189,990)</u>	<u>\$ (1,892,213)</u>	<u>\$ 64,961</u>	<u>\$ (1,827,252)</u>	<u>\$ (2,817,736)</u>	<u>\$ 163,807</u>	<u>\$ (2,653,929)</u>	<u>\$ (3,732,929)</u>	<u>\$ 125,578</u>	<u>\$ (3,607,351)</u>

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### Effect on Consolidated Statement of Cash Flows

	Three months ended January 31, 2014			Three months ended January 31, 2013			Six months ended January 31, 2014			Six months ended January 31, 2013		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
Cash provided by (used in)												
Operating activities												
Net loss	\$ (1,276,944)	\$ 86,954	\$ (1,189,990)	\$ (1,892,213)	\$ 64,961	\$ (1,827,252)	\$ (2,817,736)	\$ 163,807	\$ (2,653,929)	\$ (3,732,929)	\$ 125,578	\$ (3,607,351)
Items not affecting cash												
Stock-based compensation	148,837	-	148,837	125,124	-	125,124	300,105	-	300,105	234,461	-	234,461
Amortization	305,079	-	305,079	168,284	-	168,284	461,032	-	461,032	337,421	-	337,421
Accretion on rebate provision	-	11,851	11,851	-	9,654	9,654	-	23,702	23,702	-	19,308	19,308
Adjustment to salaries expense for salaries paid by shares	16,000	-	16,000	(72,020)	-	(72,020)	16,000	-	16,000	(78,242)	-	(78,242)
	(807,028)	98,805	(708,223)	(1,670,825)	74,615	(1,596,210)	(2,040,599)	187,509	(1,853,090)	(3,239,289)	144,886	(3,094,403)
Rebate payment	-	-	-	-	-	-	-	-	-	-	(238,901)	(238,901)
Changes in non-cash working capital	(361,205)	(98,805)	(460,010)	(136,357)	(74,615)	(210,972)	(125,318)	(187,509)	(312,827)	(235,528)	94,015	(141,513)
Net cash used in operating activities	(1,168,233)	-	(1,168,233)	(1,807,182)	-	(1,807,182)	(2,165,917)	-	(2,165,917)	(3,474,817)	-	(3,474,817)
Financing activity												
Proceeds from issuance of shares and warrants	-	-	-	-	-	-	-	-	-	22,224	-	22,224
Proceeds from issuance of stock options	(3,282)	-	(3,282)	(4,084)	-	(4,084)	13,480	-	13,480	-	-	-
Share issue costs	-	-	-	-	-	-	(6,037)	-	(6,037)	-	-	-
Net cash from financing activity	(3,282)	-	(3,282)	(4,084)	-	(4,084)	7,443	-	7,443	22,224	-	22,224
Investing activities												
Acquisition of property and equipment	(2,666)	-	(2,666)	(89,334)	-	(89,334)	(5,325)	-	(5,325)	(98,167)	-	(98,167)
Intangible asset	(226,654)	-	(226,654)	(439,721)	-	(439,721)	(577,732)	-	(577,732)	(802,550)	-	(802,550)
Increase in short-term investments	-	-	-	(105,434)	-	(105,434)	-	-	-	-	-	-
Changes in non-cash working capital	-	-	-	-	-	-	-	-	-	(114,342)	-	(114,342)
Net cash used in investing activities	(229,320)	-	(229,320)	(634,489)	-	(634,489)	(583,057)	-	(583,057)	(1,015,059)	-	(1,015,059)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency.	88,091	-	88,091	-	-	-	88,091	-	88,091	-	-	-
Cash outflow	\$ (1,312,744)	\$ -	\$ (1,312,744)	\$ (2,445,755)	\$ -	\$ (2,445,755)	\$ (2,653,440)	\$ -	\$ (2,653,440)	\$ (4,467,652)	\$ -	\$ (4,467,652)
Cash, beginning of period	3,838,370	-	3,838,370	4,729,073	-	4,729,073	5,179,066	-	5,179,066	6,750,970	-	6,750,970
Cash, end of period	2,525,626	-	2,525,626	2,283,318	-	2,283,318	2,525,626	-	2,525,626	2,283,318	-	2,283,318



# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

---

#### Effect on Deficit

	Six months ended January 31, 2014		
	As Reported	Adjustment	As Restated
Deficit			
Balance, beginning of period	\$ (46,335,220)	\$ (1,628,401)	\$ (47,963,621)
Net and comprehensive loss	<u>(2,817,736)</u>	<u>163,807</u>	<u>(2,653,929)</u>
Balance, end of period	<u>(49,152,956)</u>	<u>(1,464,594)</u>	<u>(50,617,550)</u>

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

---

#### 3. Basis of preparation

##### (a) Statement of compliance

These restated condensed consolidated interim financial statements were prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended July 31, 2013. They were reported in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). Accordingly, certain financial information and disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual consolidated financial statements.

The restated condensed consolidated interim financial statements should be read in conjunction with Cortex's annual audited consolidated financial statements for the year ended July 31, 2013, filed on November 27, 2014.

On August 1, 2013, the Company adopted new standards with respect to consolidations (IFRS10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the financial statements at January 31, 2014 or on the comparative periods. The Company has adopted the amendments to IAS 1, Presentation of Financial Statements which requires other comprehensive income items to be grouped by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. This change did not result in any adjustments to other comprehensive income or comprehensive income.

##### (b) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current period's financial statements.

##### *Rebate provision*

Rebate provision is calculated using a risk free discount rate on the risk-adjusted future gross revenues the Company expects to earn. Changes in the estimated amounts and timing of the future revenues to be earned could significantly increase or decrease the amount of accretion expense recorded during the period and the rebate provision recorded on the condensed consolidated statements of financial position.

##### **Critical judgments in applying accounting policies**

##### *Rebate provision*

Management is required to apply judgement in determining whether it has a financial liability relating to any contracts that the company enters into and consequently requires management to determine when the financial liability should be recorded on the condensed consolidated statement of financial position. There may be significant judgement in determining the value of these financial liabilities as they may relate to timing of the Company's future revenues.

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 4. Accounts receivable

	January 31 2014	July 31 2013
Accounts receivable		
Trade receivables	\$ 247,557	\$ 207,994
Accrued usage fees	284,583	302,393
Allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
	522,140	500,387
Credit card charges holdback	<u>155,885</u>	<u>151,395</u>
	<u>\$ 678,025</u>	<u>\$ 651,782</u>
Allowance for doubtful account reconciliation		
Opening balance	\$ 10,000	\$ 10,000
Change in allowance for doubtful accounts	5,263	1,496
Amounts written off as uncollectible	<u>(5,263)</u>	<u>(1,496)</u>
Ending balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>

#### 5. Property and equipment

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balance at July 31, 2012	\$ 886,918	\$ 182,517	\$ 91,357	\$ 1,160,792
Additions	124,510	4,506	22,652	151,668
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at July 31, 2013	\$ 1,011,428	\$ 187,023	\$ 114,009	\$ 1,312,460
Additions	<u>1,544</u>	<u>2,200</u>	<u>1,585</u>	<u>5,329</u>
Balance at January 31, 2014	<u>\$ 1,012,972</u>	<u>\$ 189,223</u>	<u>\$ 115,594</u>	<u>\$ 1,317,789</u>
<b>Accumulated Amortization</b>				
Balance at July 31, 2012	\$ 489,773	\$ 99,550	\$ 76,328	\$ 665,651
Amortization for the year	<u>137,820</u>	<u>17,044</u>	<u>15,210</u>	<u>170,074</u>
Balance at July 31, 2013	\$ 627,593	\$ 116,594	\$ 91,538	\$ 835,725
Amortization for the period	<u>57,691</u>	<u>7,153</u>	<u>2,669</u>	<u>67,513</u>
Balance at January 31, 2014	<u>\$ 685,284</u>	<u>\$ 123,747</u>	<u>\$ 94,207</u>	<u>\$ 903,238</u>

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
Net book value:				
At July 31, 2013	\$ <u>383,835</u>	\$ <u>70,429</u>	\$ <u>22,471</u>	\$ <u>476,735</u>
At January 31, 2014	\$ <u>327,688</u>	\$ <u>65,476</u>	\$ <u>21,387</u>	\$ <u>414,551</u>

6. Intangible assets

	Third party software	Internally developed computer software	Total
<b>Cost</b>			
Balance at July 31, 2012	\$ 256,247	\$ 3,314,960	\$ 3,571,207
Additions	18,667	1,667,468	1,686,135
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Balance at July 31, 2013	\$ 274,914	\$ 4,982,428	\$ 5,257,342
Additions	<u>2,329</u>	<u>575,403</u>	<u>577,732</u>
Balance at January 31, 2014	\$ <u>277,243</u>	\$ <u>5,557,831</u>	\$ <u>5,835,074</u>
<b>Accumulated Amortization</b>			
Balance at July 31, 2012	\$ 140,306	\$ 344,715	\$ 485,021
Amortization for the year	<u>37,582</u>	<u>459,619</u>	<u>497,201</u>
Balance at July 31, 2013	\$ 177,888	\$ 804,334	\$ 982,222
Amortization for the period	<u>14,728</u>	<u>378,791</u>	<u>393,519</u>
Balance at January 31, 2014	\$ <u>192,616</u>	\$ <u>1,183,125</u>	\$ <u>1,375,741</u>
	Third party software	Internally developed computer software	Total
Net book value:			
At July 31, 2013	\$ <u>97,026</u>	\$ <u>4,178,094</u>	\$ <u>4,275,120</u>
At January 31, 2014	\$ <u>84,627</u>	\$ <u>4,374,706</u>	\$ <u>4,459,333</u>

During the year ended July 31, 2011, the Company embarked on a project to upgrade its core system and convert it into a Cloud based system. This upgrade will permit processing of increased billing volumes and improve efficiencies while facilitating future market expansion.

Development of the U.S. portion of the software was completed and available for use as of November 1, 2011 and, as such, amortization has commenced. The first phase of the Canadian portion of the software is now complete and

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

became available for use as of November 1, 2013.

7. Accounts payable and accrued liabilities (restated)

	<b>January 31 2014 (restated)</b>	<b>July 31 2013 (restated)</b>
Accounts payable and accrued liabilities		
Salaries, bonus and employee benefits payable	\$ 441,040	\$ 1,035,721
Trade payables	201,990	137,285
Accrued liabilities	216,029	146,701
U.S. sales tax payable	61,984	33,585
GST payable	<u>36,203</u>	<u>22,909</u>
	<u>\$ 957,246</u>	<u>\$ 1,376,201</u>

Included in salaries, bonus and employee benefits payable is \$276,000 at January 31, 2014, \$465,827 at July 31, 2013 that will be paid through the issuance of common shares.

8. Rebate provision (restated)

The rebate provision arose as a result of a service contract entered into by the Company to provide the customer a 5% rebate based on future revenue to a maximum rebate of \$2,300,000. In accordance with IFRS financial instruments this future rebate provision has been recorded. The provision has been calculated using an interest free discount rate of 2.5% based on a risk adjusted future revenue growth.

	<b>January 31 2014 (restated)</b>	<b>July 31 2013 (restated)</b>
Opening balance	\$ 1,656,915	\$ 2,158,979
Payments	-	(540,682)
Accretion	<u>23,702</u>	<u>38,618</u>
Closing balance	1,680,617	1,656,915
Less: current portion	<u>426,332</u>	<u>382,315</u>
	<u>\$ 1,254,285</u>	<u>\$ 1,274,600</u>

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

9. Share capital and warrants

(a) Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares. The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the rights, privileges and other conditions for each series.

(b) Issued

	<b>January 31, 2014</b>		<b>January 31, 2013</b>	
	<b>Number</b>	<b>Stated Value</b>	<b>Number</b>	<b>Stated Value</b>
<b>Common Shares</b>				
Balance, beginning of period	259,147,375	\$ 47,713,288	217,763,919	\$ 41,971,571
Issued in lieu of salaries and bonus (note 8(c))	2,484,200	397,472	2,263,456	453,802
Exercise of stock options	65,852	13,480	-	-
Transfer of fair value of stock options exercised	-	8,505	-	-
	<u>261,697,427</u>	<u>48,132,745</u>	<u>220,027,375</u>	<u>42,425,373</u>
Less: Share issuance costs	-	6,040	-	4,084
Balance, end of period	<u>261,697,427</u>	<u>\$ 48,126,705</u>	<u>220,027,375</u>	<u>\$ 42,421,289</u>

	<b>January 31, 2014</b>		<b>January 31, 2013</b>	
	<b>Number</b>	<b>Stated Value</b>	<b>Number</b>	<b>Stated Value</b>
<b>Warrants</b>				
Balance, beginning and end of period	22,379,000	\$ 980,941	9,806,563	\$ 753,202
Warrants expired during the period	-	-	(8,333,500)	(653,969)
Balance, end of period	<u>22,379,000</u>	<u>980,941</u>	<u>1,473,063</u>	<u>99,233</u>

(c) On June 10, 2013, the Company received shareholder approval to issue up to 3,500,000 common shares to employees as part of the Employee Performance Management Program. In line with that resolution, the Company issued 2,384,200 common shares in December of 2013 for a fair value of \$381,472. In addition, the Company received shareholder approval to issue up to 2,000,000 common shares to employees responsible for signing any significant hub accounts. In line with that resolution the Company issued 100,000 common shares for a fair value of \$16,000.

(d) Net loss per share

Net loss per share has been calculated using the basic and diluted weighted average number of common shares outstanding during the period of 259,897,694 (2013 - 218,328,048). For 2014 and 2013, the potential effect of the exercise of stock options, warrants and Compensation Options would not be dilutive.

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 10. Stock-based compensation

- (a) The Company has a stock option plan under which directors, officers, consultants and employees are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued and outstanding shares. Options granted under the current stock option plan generally have a term of five years but may not exceed five years and vest over an 18 month period. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) upon which the Company's common shares are then listed.

A summary of the status of the Company's stock option plan for the three months ended January 31, 2014 and the January 31, 2013 as follows:

	January 31, 2014		January 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	21,465,355	\$ 0.27	14,866,583	\$ 0.31
Granted	1,300,100	0.20	2,862,400	0.21
Exercised	-	-	-	-
Forfeited	(319,191)	0.29	(81,886)	0.26
Outstanding, end of period	<u>22,446,264</u>	<u>\$ 0.27</u>	<u>17,647,097</u>	<u>\$ 0.29</u>
Exercisable, end of period	<u>16,092,327</u>	<u>\$ 0.29</u>	<u>12,522,788</u>	<u>\$ 0.33</u>

- (b) The following table summarizes information about stock options outstanding and exercisable at January 31, 2014:

Range of Exercise Prices	Number Outstanding at January 31 2014	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable at January 31 2014	Weighted Average Exercise Price
\$0.13 - \$0.16	950,000	\$ 0.15	4.44 years	450,000	\$ 0.15
\$0.17 - \$0.20	6,471,817	0.19	2.96	3,935,883	\$ 0.19
\$0.21 - \$0.25	9,125,447	0.22	3.52	5,807,444	0.22
\$0.26 - \$0.51	<u>5,899,000</u>	0.44	1.32	<u>5,899,000</u>	0.44
	<u>22,446,264</u>	\$ 0.27	2.82 years	<u>16,092,327</u>	\$ 0.29

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 10. Stock-based compensation (continued)

- (c) The fair value of stock options granted of \$0.08 (2013 - \$0.12) per share, was estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2014	2013
Expected life (years)	5	5
Risk-free interest rate (%)	1.55	1.29
Expected volatility (%)	71	73
Expected dividends (\$/share)	Nil	Nil

A forfeiture rate of 1% was used when recording stock-based compensation for key management and directors and a forfeiture rate of 5% was used when recording stock-based compensation for other employees. This estimate is adjusted to the actual forfeiture rate upon vesting. Stock based compensation cost of \$148,837 (2013-\$125,124) was expensed during the quarter ended January 31, 2014.

The following table summarizes information about the Company's share purchase warrants outstanding at January 31, 2014. Each share purchase warrant entitles the holder to acquire one common share when exercised.

	Number of Warrants	Exercise Price	Remaining Contractual life
<b>Warrants Expiring April 4, 2016</b>			
Balance, beginning and end of period	<u>22,379,000</u>	<u>\$ 0.23125</u>	2.15 years

#### 11. Finance income (expense) (restated)

Finance income (expense) is comprised of:

	January 2014 restated	January 2013 restated
Interest income	\$ 4,098	\$6,213
Accretion on rebate provision	<u>(11,851)</u>	<u>(9,654)</u>
	<u>\$ (7,753)</u>	<u>\$(3,441)</u>

#### 12. Commitments

The Company has entered into various operating leases for office space expiring at various dates to January 31, 2018 and office equipment expiring at various dates to August 2014. During the year ended July 31, 2013, the Company consolidated its operating space into a new lease which expires January 31, 2018.

The Company has an obligation to pay a rebate to a customer based on future gross revenues (note 8).



# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 12. Commitments (continued)

The following is the minimum annual obligations:

	Office space	Office equipment	Total
Fiscal 2014	\$ 147,290	\$ 1,174	\$ 148,464
Fiscal 2015	261,600	196	261,796
Fiscal 2016	270,621	-	270,621
Fiscal 2017	280,644	-	280,644
Fiscal 2018	<u>145,333</u>	<u>-</u>	<u>145,333</u>
	<u>\$ 1,105,488</u>	<u>\$ 1,370</u>	<u>\$ 1,106,858</u>

#### 13. Financial instruments and risk management

##### (a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these condensed consolidated interim financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, Cortex's management has the responsibility to administer and monitor these risks.

##### (b) Fair value of financial instruments

The carrying value of cash, short-term investment, accounts receivable, deposits and accounts payables and accrued liabilities approximate fair value due to the short term nature of those instruments.

The fair value of the rebate provision approximates its carrying value as the riskfree interest discount rate of 2.5% applied to riskadjusted future gross revenue approximates current market rate for similar riskfree discounted provisions.

##### (c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables.

The Company monitors its general allowance policy on accounts receivable on a regular basis. As at January 31, 2014, the Company had \$247,557 of trade accounts receivables. Of this amount, \$44,762 are over 30 days, which is past due under the Company's normal credit terms. Of this amount, \$10,000 has been allowed for under the Company's general allowance policy. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the carrying value of accounts receivable on the condensed consolidated statement of financial position shown net of the allowance for doubtful accounts of \$10,000.

Credit risk also exists in cash and short term investments as all balances are maintained with two financial institutions. The risk is mitigated because the financial institutions are major Canadian and U.S. banks.

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

#### 13. Financial instruments and risk management (continued)

##### (d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows to ensure it will have sufficient liquidity to meet its commitments and obligations as they become due. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow as well as future equity financings. The Company expects to pay its outstanding payables within the current year. See going concern (note 1).

The following table outlines the expected undiscounted payments of future financial liabilities:

	Accounts payable and accrued liabilities	Rebate provision	Total
Within one year	\$ 957,246	\$ 426,332	\$ 1,383,578
2 - 5 years	-	1,332,987	1,332,987
Total	<u>\$ 957,246</u>	<u>\$ 1,759,319</u>	<u>\$ 2,716,565</u>

##### (e) Market risk

Market risk is the risk that financial instruments fair values and the Company's net earnings will fluctuate due to changes in market prices.

The Company is exposed to currency risk.

The Company is exposed to currency price risk on sales in the Company's wholly-owned U.S. subsidiary denominated in U.S. dollars. The Company had \$649,793 revenue for the period ended January 31, 2014 (2013- \$481,360) which was denominated in U.S. dollars. The Company had \$70,285 (2013 - \$40,861) in U.S. accounts receivable, \$131,655 (2013 - \$104,563) in accrued receivables and \$1,200,645 (2013 - \$865,772) in a U.S. bank account at January 31, 2014.

Included in accounts payable and accrued liabilities are \$23,000 (2013 - \$41,817) denominated in U.S. dollars, respectively.

A 1% increase or decrease in foreign exchange rates would have a negligible impact on net loss at January 31, 2014.

##### (f) Capital management

The Company includes as capital, shareholders' equity which is comprised of share capital and warrants, contributed surplus, and accumulated deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Company does not currently have net positive cash flow from operations, the Company is also funding operations from funds previously raised through equity financings. The Company has in place a detailed planning and budgeting process to assist in determining the funds required to ensure appropriate capital to meet its growth objectives. The Company strives to maintain sufficient capital to meet its short-term business requirements taking into account its capital commitments, planned capital expenditures and its holdings of cash. The Company may also seek future equity financings. The Company has set forth in its business plan, expected revenue and expense targets for the fiscal year ended July 31, 2014.

# Cortex Business Solutions Inc.

## Notes to the Condensed Consolidated Interim Financial Statements (Restated)

### Three months and six months ended January 31, 2014 and 2013

(Prepared in Canadian dollars)

(unaudited)

13. Financial instruments and risk management (continued)

The Company is not subject to externally imposed capital requirements.

There has been no change to the Company's capital management philosophy during the period ended January 31, 2014. See going concern (note 1).

14. Segmented information

Although the Company supplies services to both Canadian and U.S. customers, the Company only has one operating segment.

Revenue by geographic area is as follows:

	Three Months Ended January 31		Six Months Ended January 31	
	2014	2013	2014	2013
Canada	\$ 1,321,514	\$ 1,020,833	\$ 2,491,709	\$ 1,962,146
U.S.	<u>662,555</u>	<u>481,360</u>	<u>1,282,942</u>	<u>943,589</u>
	<u>\$ 1,984,069</u>	<u>\$ 1,502,193</u>	<u>\$ 3,774,651</u>	<u>\$ 2,905,735</u>

Substantially all of the assets of the Company are located in Canada.

15. Subsequent events

On February 28, 2014, the Company closed its short form prospectus offering (the "offering") of common shares of the Company for aggregate gross proceeds of \$10,000,000. Under the Offering, a total of 100,000,000 Common Shares were issued at a price of \$0.10 per Common Share. In addition, the Underwriters received 6,000,000 compensation options at an exercise price of \$0.10 for a period of twenty-four months from the date of issuance.

During the year ended July 31, 2014, Cortex paid a Company under significant influence by a director who was appointed to the board of directors in April 2014 \$300,000 in cash commission and 3,000,000 Compensation Units with a fair value of \$231,000 on the prospectus offering. In addition, they have been engaged in a professional capacity for consulting matters for fees ranging from \$0 to \$200,000.