Cortex Business Solutions Inc.

2015 First Quarter Management's Discussion and Analysis

Management's Discussion & Analysis

December 12, 2014

The following management's discussion and analysis ("MD&A") should be read in conjunction with Cortex Business Solutions Inc. ("Cortex" or the "Company") consolidated financial statements as at and for the quarter ended October 31, 2014. The accompanying financial statements of Cortex have been prepared by management and approved by the Company's Audit Committee. The financial data presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"),

All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of December 12, 2014.

The MD&A and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Additional information is also available on the Company's web site at www.cortex.net.

Statements in this MD&A relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements may involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results implied by such forward-looking statements. Forward-looking statements are often, but not exclusively identified by words such as "anticipate", "may", "expect", "plan", "future", "continue", "intends", "projects", "believes", "seek", "budget", "estimate" ,"forecast", "will", "predict", "potential" ,"target", "could", "might", and other similar expressions. Some of the risks that may cause actual results to vary are described under the "Business Risks and Uncertainties" section. It is important to note that:

- *Unless otherwise indicated, forward-looking statements describe our expectations as of the date of management's discussion and analysis;*
- *Readers should be cautioned not to place undue reliance on forward-looking statements as our actual results may differ materially from our expectations if known and unknown risks or uncertainties affect our business, or if our estimates or assumptions prove inaccurate. Therefore, we cannot provide any assurance that forward-looking statements will materialize; and*
- *The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason unless required by applicable securities laws.*

Fiscal Q1 2015 Financial and Operational Highlights

Operational Highlights

The quarter ended October 31, 2014 (“Q1 F2015”), was a strong start to F2015 for Cortex highlighted with a 47% top line growth and 37% billable transaction growth over the quarter ended October 31, 2013 (“Q1 F2014”).

The Company’s access and usage fee revenue grew 15% Q1 F2015 over Q4 F2014 while integration and set up fees grew 23% during the same period.

Cortex continues to focus on innovative new product lines which include collaborative efforts with partners and existing customers of the Company to enhance the portal. These enhancements will include Company profiling, invites to the Network, various on-line reporting and functionality to assist in market trends and customer demands.

In Q1 F2015 Cortex continued market success with the signing of new buying organizations (“Hubs”), growing transaction volumes and revenue. The Company continues to establish itself as a significant player in the relatively new eInvoicing industry.

The Q1 F2015 financial highlights are:

- Total Revenue in Q1 F2015 was $2,631,647 which was an improvement of 47% over Q1 F2014 ($1,790,582). Access and usage fees grew 47% (Q1 F2015 - $2,430,228; Q1 F2014 - $1,655,815).
- The access and usage fee revenue grew 15%, or $308,497 Q1 F2015 over Q4 F2014.   Total revenue, net of project management fees (“baseline revenue”) grew 15%, or $335,269, over the same period.
- Gross profit, net of amortization was 52% in Q1 F2015 compared to 38% in Q4 F2014.
- Cash used in operations, before working capital change and including software development costs, improved $164K from $(1.494K) in Q1 F2014 to $(1.330K) in Q1 F2015.
- The working capital declined $(1.1M) from $8.2M at July 31, 2014 to $7.1M at October 31, 2014.
- On December 8, the Company introduced its interim CEO, Jim Barker. The Board and management are committed to the continued growth of the existing business model and enhancement of our business solution for multiple industries throughout North America as we work closely with our customers and solution partners.

The Q1 F2015 operational highlights are:

- During Q1 F2015, 4 new Buying organizations were sold and 3 Buying Organizations became active on the Network for a total of 78 on the Network compared to 75 at July 31, 2014, an increase of 4%.
- There was an increase in billable transactions of 25% Q1 F2015 over Q4 F2014 (Q1 F2015 - 1,474,650; Q4 F2014 - 1,182,665).
- Billable transactions increased 37% Q1 F2015 over Q1 F2014 (Q1 F2015 – 1,474,650; Q1 F2014 – 1,074,126).

- Continued success in adding e-Billing destinations resulted in 3 additional customers signed and an increase of 1180 new ebilling destinations, over the previous quarter to a total of 1856.

- Active suppliers on the Cortex Network increased 5% to 8,630 compared to Q4 F2014.

Description of Business

Cortex Business Solutions Inc. is a leading eCommerce service company that improves efficiencies, reduces costs and streamlines procurement and supply chain processes for its customers. Accessing the Cortex Network enhances the exchange of business critical documents, such as purchase orders, receipts and invoices resulting in improved cash flow management and business controls, while reducing day's sales outstanding and administrative costs. Cortex provides a low cost, low risk solution that can be implemented quickly by leveraging its customers' existing business environment(s).

Cortex products and services are non-intrusive and allow our customers the freedom to leverage and optimize their existing processes and information technology assets when it makes the best business sense for them. This approach improves the productivity, cash flow and profitability of our customers, while avoiding the risk and delays associated with large information technology or business process re-engineering initiatives.

The following table illustrates the growth in some key metrics:

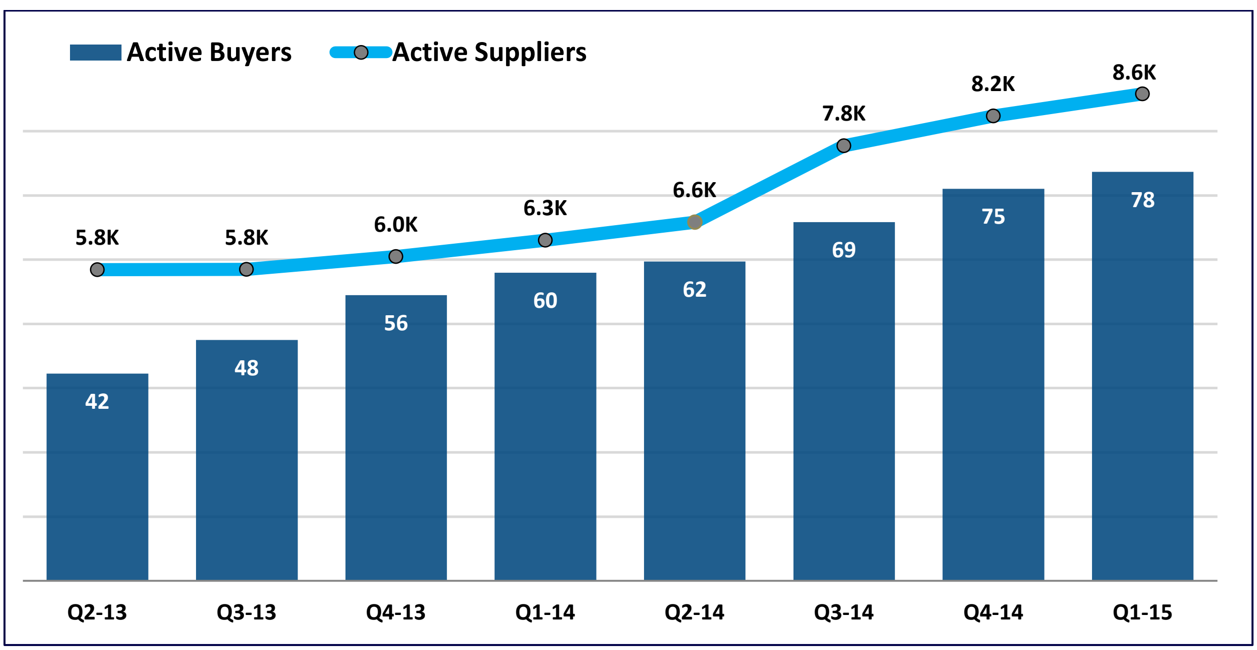
Buyer Integrations	2015		2014							
	Q1	% Change	Q4	% Change	Q3	% Change	Q2	% Change	Q1	% Change
Completed	78	4%	75	9%	69	11%	62	3%	60	7%
In Progress	5		14		13		19		18	
	83	-7%	89	9%	82	1%	81	4%	78	5%
Billable Transactions	1,474,650	25%	1,182,665	-2%	1,203,283	11%	1,082,982	1%	1,074,126	10%
Total documents exchanged	4,021,739	23%	3,279,344	1%	3,231,611	6%	3,039,967	1%	3,000,632	15%

In Q1 F2015 we signed four new Buying organizations, and our active Buying organizations increased by three bringing our total to seventy-eight. In addition, we reviewed our backlog of projects and closed eight "in progress" initiatives associated with e-Invoice Basic. Six of the eight customers will remain on the network as customers and continue to utilize the network for sending invoices to Oil and Gas Producers. The other two customers failed to initiate their projects resulting in our decision to close the respective projects in the "In Progress" queue. The revenue impact F2015 is minimal.

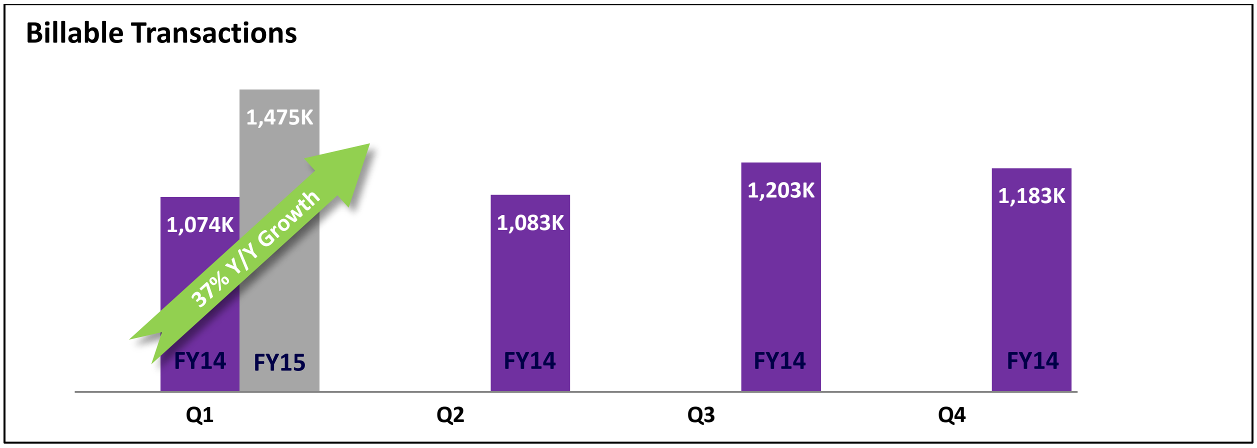
Two of our live Buying organizations stopped receiving invoices on the network. One has rationalized its operations in Canada to a point where they reverted back to a manual paper process. The second Buyer remains a customer on the network, but determined they need workflow to implement e-Invoicing properly within their company.

The following charts are intended to help better understand how our network grows.

The Chart below depicts the growth of customer engagement with more suppliers and buyers actively using the network. This chart correlates to the increase in access and usage fees quarterly.

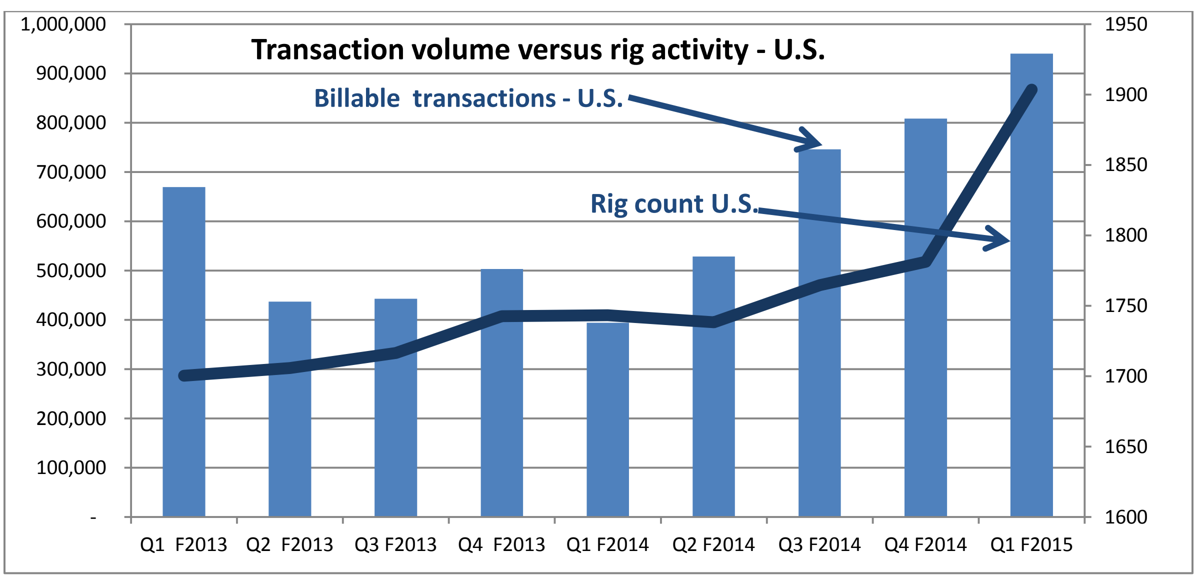


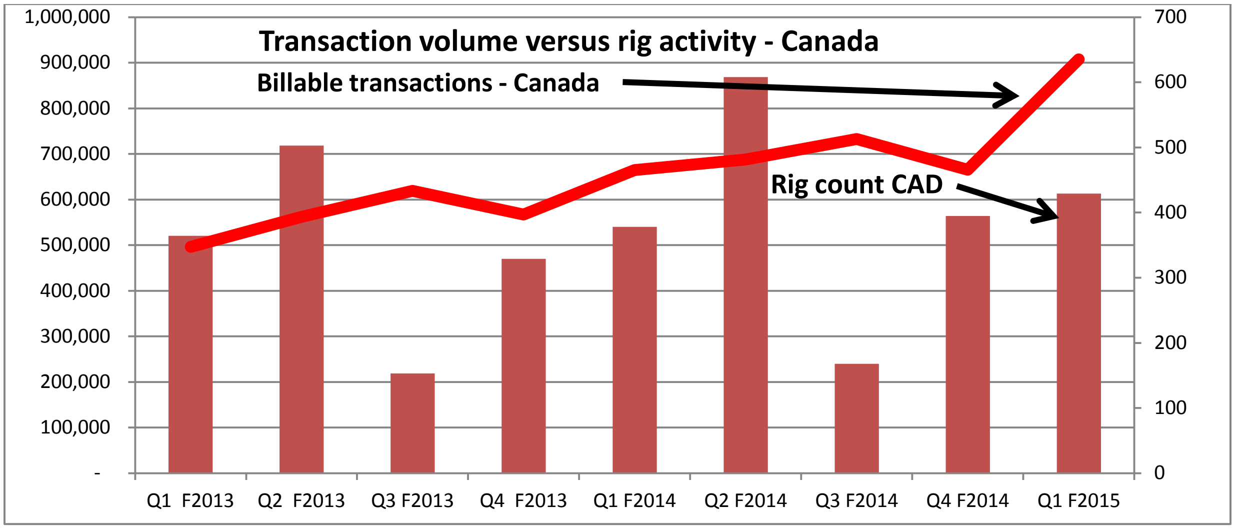
The Chart below is the result of increased utilization of the Cortex network with increased billable transactions through the network. As more buyers and suppliers become active billable transactions increase.



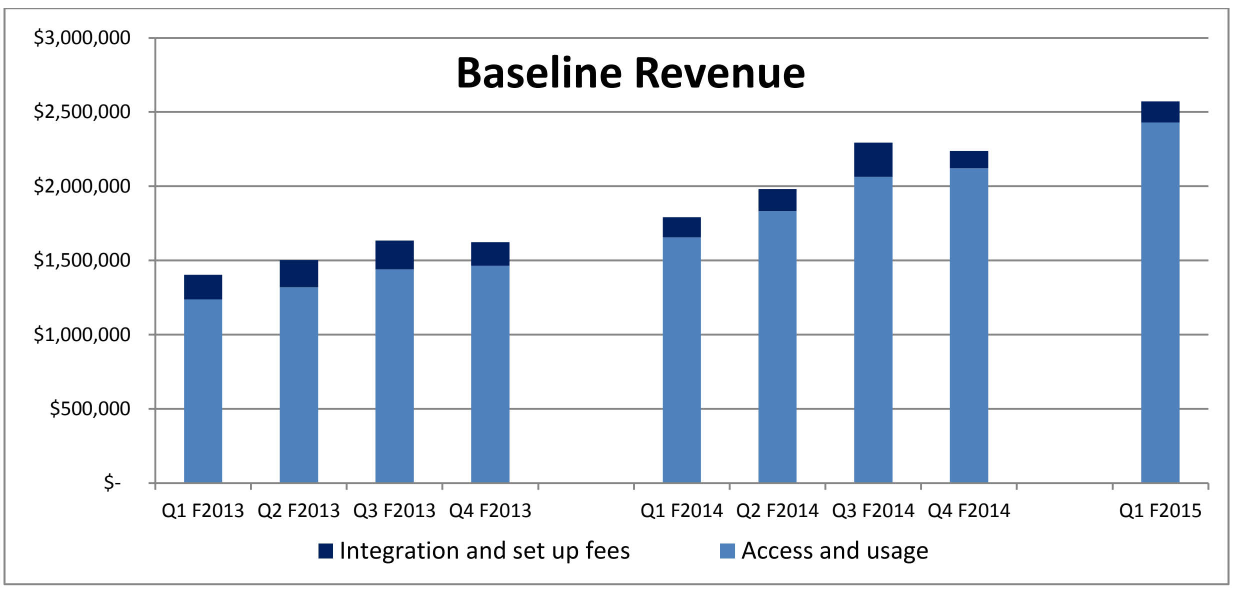
Rig utilization, in both Canada and the US, impact the number of transactions between Buying Organizations and Suppliers in the oil and gas industry. The number of active rigs in both Canada and the US has rebounded in calendar 2014 over a less active quarter in 2013 as shown in the graphs below.

In fiscal 2014, the accelerated growth of the network and expansion into the US resulted in an overall increase in network transactions and Access and Usage fee revenue during the Canadian spring break up timeframe. Our Canadian operations and customers make up 63% of our recurring revenue, and as such, increases and decreases in network activity in Canada can impact transactions and revenue quickly. Management is monitoring the effects of commodity prices on the activity in the energy sector. While we have not yet seen any impact to transactions, there is a potential for organic transactions to decline in Q2/Q3 of this fiscal year. The recurring revenue stream of the Company has two components; a monthly access fee (which is a fixed monthly fee) and a monthly document charge, (which is based on the transactions flowing through the Network). The transaction charge is the fee which is dependent on transaction volumes and could be impacted by a prolonged reduction in the oil and gas activity due to falling oil prices. In Q1 F2015, the document charge accounted for 58% of total recurring revenue.





Q1 2015 marks the 9th consecutive increase in access and usage revenue with an increase of 15% over Q4 F2014.



The Company will continue to expand its presence where costs are justified based on demand and the potential for increased revenue. Currently, both Canada and the U.S. show strong pipelines for growth opportunity. The pipeline opportunities resulting from the Company's initial investment into the US expansion combined with the size of the opportunity led to the decision to increase the sales and delivery organization in the US during 2014. The company expects the expanded team to be at full capacity during 2015.

The Company continues to develop innovative products to further enhance the Cortex Network. one of which is Field Ticket Mobile Approver (FTMA). This product is being developed based on customer feedback and market demand. FTMA is expected to be released in the fall of 2015. This product will result in new revenue opportunities for Cortex. There is an expectation that there will be an increase in research and development spending of approximately $1.8M for the remainder of *F2015 as development of new products is completed.*

Outlook

Q1 2015 was a solid start to the fiscal year for Cortex. The continued success and growth of the Cortex Network with the addition of new Buying organizations will further increase the underlying value of the Cortex Network. To that end, further expansion in both US sales and delivery capacities in Q1 will allow Cortex to geographically cover more of the market opportunities. In addition, new product development continues with one important product release scheduled in calendar year 2015. This new product will expand our functionality to include field automation and will generate future revenue opportunities for Cortex. Capturing market share during this early maturity phase is a key objective for Cortex in FY2015.

Transactions over the Network continued to increase Q1 F2015 over Q1 F2014. The increased functionality of Portal, allowing customers self-propagation, profiling and messaging, is generating greater participation on the Network; resulting in more connections and higher transaction volumes. Cortex will continue to release value added functionality into the platform during F2015 that will provide additional revenue opportunities.

Cortex continues to see demand for the 100% eBilling solution and expects sales from this product line to accelerate. The first five 100% eBilling customers are now live and the opportunities from this project will begin to materialize during F2015.

Management is monitoring the effects of commodity prices on the aniticipated activity on the Network. While we have not seen an impact to date, the potential exists for organic transaction volume to decline in F2015. Continued focus on adding new Buyers and suppliers to the network will mitigate the risk of organic decline during F2015.

Management will continue to balance its investment in sales, delivery and R&D with cash flow in FY2015. The company is starting FY2015 with a healthy balance sheet, accelerated network and revenue growth, and a receptive marketplace

FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

Quarterly information

	Total Revenue	Access & Usage Fees Revenue	Net Loss	Basic and Diluted Loss Per Share
F2015				
Quarter One	$2,631,647	$2,430,228	$(1,934,399)	$(0.01)
F2014				
Quarter Four	$2,812,040	$2,117,717	$(1,619,615)	$(0.01)
Quarter Three	$2,390,652	$2,070,174	$(1,613,556)	$(0.01)
Quarter Two	$1,984,069	$1,829,303	$(1,189,990)	$0.00
Quarter One	$1,790,582	$1,655,815	$(1,463,939)	$(0.01)
F2013				
Quarter Four	$1,623,934	$1,464,519	$(1,533,242)	$(0.01)
Quarter Three	$1,634,469	$1,439,219	$(1,736,711)	$(0.01)
Quarter Two	$1,502,193	$1,318,275	$(1,827,252)	$(0.01)

Quarter ended October 31, 2014

Revenue

The Company was able to realize 47% growth in Q1 F2015 over Q1 F2014. The Company maintained a 15% access and usage fee growth Q1 F2015 over Q4 F2014 and a 23% growth in integration and set up fee revenue for the same period.

	Q1 2015	Q1 2014	Change	% Increase (Decrease)
Access and usage fees	$2,430,228	$1,655,815	$774,413	47%
Integration and set-up fees	$142,576	$134,767	$7,809	6%
Project management fees	$58,843	Nil	$58,843	100%
Total Revenue	$2,631,647	$1,790,582	$841,065	47%

Access and Usage Fees

Access and usage fees include a monthly fee for access to the Cortex Trading Partner Network ("Network") plus transaction fees which are recognized in the month the service is performed.

Access and usage fees revenue continues to show strong growth at 47% growth from Q1 F2014 to Q1 F2015. The growth of the access and usage fees revenue is a combination of buying organizations going live in the twelve month period, additional suppliers added to the Network, and additional transactions flowing through the Network as a result of these factors. The access and usage fees revenue has three distinct revenue streams; workbench, integration and hub access, and usage fees. Of the three, the integration stream was the strongest.

Integration and Set up Fees

Integration fees revenue is recognized over the integration project on a percentage of completion based on the provision of services provided. Set-up fee revenue is deferred and recognized as revenue over a one quarter period representing the estimated term of a contract with a customer.

The integration and set-up fees revenue stream continues to fluctuate dependant on integrations projects timelines, completion, and the number of net new suppliers joining the Network in the quarter paying the initial set-up fee. The deferred revenue for integration projects is recognized during specific milestone phases of the project, and upon completion of the project, all set up fees are recognized and the customer starts transacting utilizing the integrated solution, resulting in recurring monthly access and usage fees revenue. Integration and set-up fees revenue increased $7,809 or 6% in Q1 F2015 compared by Q1 F2014.

Project Management Fees

Project management fees are recognized as services are performed. These fees are deferred upon receipt and recognized as the project is completed in line with specific deliverables as defined in the contract.

In Q1 2015 Cortex completed the project to load old invoices into our customer's system as a result, the company saw a reduction in its project management fees Q1 F2015 compared to Q4 F2014.

Total Revenue

The total revenue increase was 47% Q1 F2015 over Q1 F2014 (Q1 F2015 - $2,631,647; Q1 F2014 - $1,790,582). The largest contributor to this increase was the access and usage fees revenue of 47% (Q1 F2015 - $2,430,228; Q1 F2014 - $1,655,815). The Company continues to focus on additional opportunities to increase this recurring revenue growth through the additional signing of buying organizations, additional transactions per supplier on the Network, and secondary service offerings.

Integration and set-up fees revenue increased 6% Q1 F2015 over Q1 F2014 (Q1 F2015 - $142,576; Q1 F2014 - $134,767).

Expenses

	Q1 F2015	Q1 F2014	% Change
Expenses			
Cost of sales	$1,703,786	$1,062,724	60%
Sales and marketing	$963,817	$765,139	26%
Research and development costs	$576,507	$234,196	146%
General and administrative	$1,330,332	$1,190,590	12%
	$4,574,443	$3,252,649	41%

The total expenses increased 41% Q1 F2015 over Q1 F2014 ($1,321,794). The details of these quarters are highlighted below.

Cost of Sales & Gross Profit

	Q1 F2015	Q1 F2014	% Change
Total Revenue	$2,631,647	$1,790,582	47%
Cost of Sales, as reported	$1,703,786	$1,062,724	60%
Gross Profit, as reported	$927,861	$727,858	27%
Cost of Sales, as reported	$1,703,786	$1,062,724	60%
Amortization	$430,876	$114,905	275%
Cost of Sales, net of amortization	$1,272,910	$947,819	34%
Gross Profit, net of amortization	$1,358,737	$842,763	61%
Gross profit %	52%	47%	

Total revenue increased $841,065 while cost of sales increased $641,062. Cost of sales is expected to grow in line with revenue growth. Once the impact of amortization is removed, cost of sales increased $325,091 or 39% of the revenue increase. As the Company continues to grow sales, the Company can expect the cost of sales to maintain a slower growth rate similar to this quarter. This resulted in an increase to the gross profit, net of amortization, Q1 F2015 over Q1 F2014 of 61% or $515,974.

The main movements in in cost of sales can be attributed to

- AP Services project related costs.
- The increase in commissions paid to partners.
- Growth in the delivery organization. This ramp up in the delivery organization was in the US as well as Canada. The growth in the integration team which has assisted in the reduction of deferred revenue as integrations move through the project stages more efficiency and expeditiously.

Sales and Marketing

	Q1 F2015	Q1 F2014	% Change
Sales and marketing	$963,817	$765,139	26%
As a percentage of revenue	37%	43%	

The sales and marketing line increased 26% or $198,678. This increase is in alignment with our expansion of US Sales and sales commissions in the quarter.

Research and Development

	Q1 F2015	Q1 F2014	% Change
Research and development	$576,507	$234,196	146%
Capitalized Software Development costs	Nil	$348,749	(100)%
Total research and development and capitalized software	$576,507	$582,945	(1)%
As a percentage of revenue	22%	33%	

The majority of this increase can be attributed to the reduction in the salaries capitalized to software development. In Q1 F2014 the Company capitalized $348,749 worth of research and development salaries (Q1 F2015 – Nil). These salaries now show on the income statement in the research and development line.

The Company continues to develop innovative products to further enhance the Cortex Network; one of which is Field Ticket Mobile Approver (FTMA). This product is being developed based on customer feedback and market demand. FTMA is expected to be released in the fall of 2015. This product will result in new revenue opportunities for Cortex. There will be an increase in research and developments spending of approximately $1.M for the remainder of F2015 as development of new products are completed.

General and Administrative

	Q1 F2015	Q1 F2014	% Change
General and administrative	$1,330,332	$1,190,590	12%
As a percentage of revenue	51%	66%	

The general and administrative costs increased $139,742 Q1 F2015 over Q1 F2014. In the quarter, the Company had some legal and accounting fees higher than normal including one time professional fees of approximately $60,000. There was an impact in the quarter due to foreign exchange fluctuation between Canadian and US currencies. This impact is a non-cash item which was $145,637 in Q1 F2015 compared to $(20,987) in Q1 F2014.

Net Loss Q1 F2015

The Company's net loss for the quarter ended October 31, 2014 was 32% higher in Q1 F2015 ($1,934,399) compared to Q1 F2014 - $1,463,938).

This significant items impacting net loss were:

- Improved revenues of $841,065 for Q1 F2015 over Q1 F2014;
- Increase in amortization of $315,971
- Increase in unrealized foreign exchange loss of $166,624.

The Company continues to monitor spending focusing resources on maintaining customer satisfaction while continuing to grow revenue..

Income Taxes

For the quarter and quarter ended October 31, 2014, the Company is not taxable. At October 31, 2014, the Company has approximately $48,121,000 of non-capital losses to carry forward to reduce future quarter's taxable income.

Rebate Provision

Cortex Business Solutions has increased its rebate provision in the first quarter of fiscal 2015 by $7,987. This is the result of accretion recorded in the quarter. (Q1 F2015 - $1,285,974; July 31, 2014 - $1,277,987). The payment for the rebate is on an annualized basis (July of each calendar year).

Share Capital

Cortex Business Solutions Inc. issued nil common shares during Q1 F2015 compared to 65,852 during Q1 F2014.

There was no exercise of Compensation Units or warrants during Q1 F2015 or Q1 F2014.

The number of common shares issued and outstanding at October 31, 2014 and December 12, 2014 was 361,697,427.

Liquidity and Capital Resources

At October 31, 2014, Cortex Business Solutions Inc. held $8,623,308 in cash and $60,000 in short-term investments, compared to $9,547,661 and $60,000, respectively, at July 31, 2014. The Company had trade accounts receivable of $703,734 at October 31, 2014 compared to trade accounts receivable of $425,752 at July 31, 2014. The Company continues to maintain a diligent collections regime. None of the accounts receivables are under dispute, however the Company has set up $47,000 as an allowance for doubtful accounts at October 31, 2014.

Cash used in operating activities was $1,004,797 in Q1 F2015 compared to $997,684 in Q1 F2014. The cash used in operating activities, before working capital adjustments and including capitalized software development costs was $1,329,890 in Q1 F2015 compared to $1,493,615 in Q1 F2014.

During the quarter ended October 31, 2014 the company used $4,233 to invest in property and equipment, specifically computer equipment, furniture and office equipment, compared to $4,988 during the quarter ended October 31, 2013. In addition, during the quarter ended 2013 the Company invested $Nil in the upgrading of the Company's network platform, which was capitalized as an intangible assets, compared to $348,749 during the quarter ended October 31, 2013.

The Company operates a stock option plan as approved by the shareholders at the 2013 Annual General Meeting on June 10, 2014. Under this plan, 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 common shares, of the Company. Options granted under the current stock option plan generally have a term of five quarters, (and may not exceed five quarters) and vest over an 18 month period. The stock options granted under a previous stock option plan had vesting periods ranging from immediate vesting upon grant, to 18 months. 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.

The number of outstanding stock options at October 31, 2014 was 22,511,563 and at July 31, 2014, 22,596,562 with a weighted average exercise price of $0.26 and $0.26 respectively. The amounts exercisable for the same periods were 17,400,034 and 16,788,300, respectively, with a weighted average exercise price of $0.29 and $0.29 respectively. At December 12, 2014, the Company had 17,400,034 stock options exercisable and 22,511,563 stock options issued and outstanding. At October 31, 2014 and December 12, 2014 there were 22,379,000 and 22,379,000, respectively, warrants outstanding at a weighted average exercise prices of $0.23125 and $0.23125, respectively. At October 31, 2014 and December 12, 2014 there were 9,164,090 Compensation Options/Units outstanding with a weighted average exercise price of $0.13 per Compensation Option/Unit.

The condensed consolidated interim financial statements of the Company have been prepared on a going concern basis. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to realize its assets at the amounts recorded and discharge its liabilities in other than the normal course of business. The Company has reported consecutive net losses for the quarters ended October 31, 2014 and year ended July 31, 2014 of $1,934,399 and $5,887,100 respectively with a cumulative deficit of $55,785,119 as at October 31, 2014.. The ability of the Company to continue as a going concern is dependent upon future profitable operations and may require additional debt or equity financing. The Company's cash position at October 31, 2014 was $8,623,308.

The Company will closely monitor its cash on a regular basis and will take necessary measures to preserve cash until the Company generates sufficient cash flows from operations or cash from new capital sources. On February 28, 2014, the Company closed its short form prospectus offering of common shares 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.

The Company has a business plan which demonstrates a strategy to increase revenue and control spending to the level necessary to maintain operations and achieve profitability.

The 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. Should the Company not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities and expenses would be required.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Obligations

The Company has entered into various operating leases for office space expiring at various dates to January 2018.

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

The Company's total minimum annual obligations are as follows: 2015 – $336,646; 2016 - $270,621; 2017 - $280,644 and 2018 - $145,333.

Transaction with Related Parties

There were no related party transactions during the quarter ended October 31, 2014.

Subsequent to October 31, 2014 there was a retiring allowance paid to the President and Chief Executive Officer who left the Company on December 8, 2014. The gross payment was $263,625.

Business Risks and Uncertainties

Material risk factors that could cause our actual results to differ materially from the forward-looking statements contained herein include: dependence on key personnel; risks related to expansion of our business operations – domestically and internationally; the current global economic downturn; exchange rate fluctuations; risks related to future acquisitions; requirements for additional financing for our business and any future acquisitions; credit terms extended to our customers; possible volatility of our share price; product and geographic concentration in conjunction with the limited range of services that we provide; our historical dependence on a small number of large customers; our ability to protect our intellectual property; our potential vulnerability to computer and information systems security breaches; competition from third parties; rapid technological change; risk of third party claims for infringement of intellectual property rights by others; and risks related to technical standards and the certification of our services.

The material business risks and uncertainties are described in greater detail in the Company's' Short-Form Prospectus filed on February 21, 2014 and its Annual Information form as filed on November 28, 2014. These documents can be found on the SEDAR website www.sedar.com.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Impairment for intangible assets not available for use is required to be tested for recoverability on an annual basis. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of assets have been recorded for the quarter ended October 31, 2014 or the quarter ended July 31, 2013.

Useful life of property and equipment and intangible assets

Property and equipment and intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the quarter.

During the fiscal year ended July 31, 2014, the Company revisited its estimate of the useful life of the Canadian platform of its software to align with its US platform. As such, the useful life of the Canadian portion of the software has been reduced by 9 quarters.

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 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 consolidated statements of financial position.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts. During this review, historical experience, the age of the receivable balance, the credit worthiness of the customer and the reason for delinquency are considered.

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards and warrants issued including future volatility of the Company's share price, expected forfeiture rates, expected lives of the underlying securities, expected dividends and other relevant assumptions. Critical judgments in applying accounting policies

In the preparation of the condensed consolidated financial statements, the Company has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Capitalized software development costs

Software development costs are capitalized as intangible assets when costs are attributable to a clearly defined product, technical feasibility has been established, a market has been identified, the Company intends to market the software and has adequate resources expected to be available to complete the project. Management is required to make judgments on when the criteria for recognition as intangible assets is met. During the quarter ended October 31, 2014, $Nil (2013 - $348,749) of development costs were capitalized as an intangible assets.

Income tax

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized. At October 31, 2014, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable and, as such, has not recognized any deferred income tax assets in the consolidated statement of financial position.

In addition, the measurement of any potential income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

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 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.

Changes in accounting policies

Recent accounting policies and new pronouncements

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on August 1, 2013. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income This amendment requires the Company to group items within other comprehensive income by those that will be subsequently reclassified to net earnings and those that will not. Accordingly, the Company has updated the presentation of other comprehensive income (loss) in the consolidated statement of loss and comprehensive loss.

Other standards and interpretations issued or amended which are effective for the first time for fiscal year ends beginning on or after August 1, 2013 but which did not have a material impact on the Company's consolidated financial statements or note disclosures as currently presented include:

New standards and interpretations

IFRS 10, 'Consolidated financial statements'

IFRS 11, 'Joint arrangements'

IFRS 12, 'Disclosure of interest in other entities'

IFRS 13, 'Fair value measurement'

Amendments to existing standards and interpretations

IFRS 7, 'Financial instruments: Disclosures'

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods. The Company has not early adopted these standards, amendments or interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures' on derecognition In conjunction with the transition from IAS 39 to IFRS 9 for fiscal years beginning on or after January 1, 2015, IFRS 7 will also be amended to require additional disclosure in the year of transition.

IFRS 9 'Financial instruments' IFRS was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward looking 'expected loss' impairment model. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Management has not yet determined that potential impact the adoption of IFRS 9 will have on the Company's financial statements. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from contracts with customers IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers. The standard contains principles that the Company will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that Company expects to be entitled to in exchange for those goods or services. Management has not yet determined that potential impact the adoption of IFRS 9 will have on the Company's financial statements. The standard is effective for the first interim period within years beginning on or after January 1, 2017.

Amendment to IAS 32, 'Financial instruments: Presentation' the amendment clarifies the requirements for offsetting financial assets and liabilities. Specifically, the amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. This amendment is effective for fiscal periods beginning on or after January 1, 2014.

Amendment to IAS 36, 'Impairments of assets' This amendment removes the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets, but there has been no impairment.

"Jim Barker" (signed)
Interim President

"Sandra L. Weiler" (signed)
Chief Financial Officer