Cortex Business Solutions Inc.

FINANCIAL STATEMENTS

F2016 YEAR ENDED JULY 31, 2016

October 26, 2016

Independent Auditor's Report

To the Shareholders of
Cortex Business Solutions Inc.

We have audited the accompanying consolidated financial statements of Cortex Business Solutions Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cortex Business Solutions Inc. and its subsidiaries as at July 31, 2016 and July 31, 2015, their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Cortex Business Solutions Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Cortex Business Solutions Inc.

Consolidated Statements of Financial Position

(Prepared in Canadian dollars)

	July 31 2016	July 31 2015
Assets		
Current assets		
Cash	$ 5,621,835	$ 3,986,950
Short-term investments (note 3(o))	60,000	60,000
Accounts receivable (note 4)	866,142	868,452
Prepaid expenses	145,823	154,861
	6,693,800	5,070,263
Deposits	35,061	35,061
Property and equipment (note 5)	292,791	413,961
Intangible assets (note 6)	42,882	1,763,804
	$ 7,064,534	$ 7,283,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ 1,086,380	$ 948,311
Deferred revenue	46,854	230,989
Current portion of rebate provision (note 8)	294,145	695,207
Income tax provision	59,647	57,148
	1,487,026	1,931,655
Rebate provision (note 8)	-	77,557
	1,487,026	2,009,212
Shareholders' Equity		
Share capital (note 9)	60,291,515	57,640,393
Accumulated other comprehensive income (loss)	640,232	580,502
Warrants (note 9)	-	980,941
Contributed surplus	9,126,948	7,848,559
Deficit	(64,481,187)	(61,776,518)
	5,577,508	5,273,877
	$ 7,064,534	$ 7,283,089

Going concern (note 1)
Commitments (note 15)
See accompanying notes

Approved by the Board:

(Signed) "Joel Leetzow", Director

(Signed) "Randy Henderson", Director

Cortex Business Solutions Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended July 31, 2016 and 2015

(Prepared in Canadian dollars)

	2016	2015
Revenue		
Access and usage fees	$ 9,376,298	$ 9,712,870
Integration fee and set-up fees	404,062	583,056
Project management and other revenue	43,158	291,029
	9,823,518	10,586,955
Cost of Sales	5,462,248	6,371,620
Gross Profit	4,361,270	4,215,335
Expenses		
Sales and marketing	1,429,838	3,634,172
Research and development	1,990,361	3,008,873
General and administrative	3,412,059	4,655,259
Severance and termination charges	213,445	789,325
	7,045,703	12,087,629
Loss before finance expense	(2,684,433)	(7,872,294)
Finance expense (note 12)	(7,249)	(1,103)
Income tax expense (note 11)	(12,987)	(52,401)
Net loss	$ (2,704,669)	$ (7,925,798)
Other comprehensive earnings Items that may be reclassified subsequently to net loss:		
Foreign exchange gain on foreign operations	59,730	657,787
Comprehensive loss	$ (2,644,939)	$ (7,268,011)
Net loss per share - basic and diluted (note 9(f))	$ (0.31)	$ (1.08)

Going concern (note 1)
See accompanying notes

Cortex Business Solutions Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Prepared in Canadian dollars)

	Number of Common Shares	Share Capital	Number of Warrants	Warrants Value	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
Balance - July 31, 2014	7,233,949	$ 56,778,460	447,580	$ 980,941	$ 7,500,703	$ (77,285)	$ (53,850,720)	$ 11,332,099
Net loss	-	-	-	-	-	-	(7,925,798)	(7,925,798)
Issued during the period	192,400	865,800	-	-	-	-	-	865,800
Issuance cost	-	(3,867)	-	-	-	-	-	(3,867)
Translation of foreign operations	-	-	-	-	-	657,787	-	657,787
Stock based compensation	-	-	-	-	347,856	-	-	347,856
Balance - July 31, 2015	7,426,349	57,640,393	447,580	980,941	7,848,559	580,502	(61,776,518)	5,273,877
Net loss	-	-	-	-	-	-	(2,704,669)	(2,704,669)
Issued during the period	1,558,355	3,116,710	-	-	-	-	-	3,116,710
Issuance costs	-	(364,366)	-	-	-	-	-	(364,366)
Expiration of warrants	-	-	(447,580)	(980,941)	980,941	-	-	-
Translation of foreign operations	-	-	-	-	-	59,730	-	59,730
Stock based compensation	-	-	-	-	196,226	-	-	196,226
Compensation units issues in conjunction with private placement	-	(101,222)	-	-	101,222	-	-	-
Balance - July 31, 2016	8,984,704	$ 60,291,515	-	$ -	$ 9,126,948	$ 640,232	$ (64,481,187)	$ 5,577,508

See accompanying notes

Cortex Business Solutions Inc.

Consolidated Statements of Cash Flows

For the years ended July 31, 2016 and 2015

(Prepared in Canadian dollars)

	2016	2015
Cash provided by (used in)		
Operating activities		
Net loss	$ (2,704,669)	$ (7,925,798)
Items not affecting cash		
Stock-based compensation	196,226	347,856
Amortization	1,841,521	1,860,171
Salaries paid in shares	-	865,800
Accretion on rebate provision	15,924	31,180
Loss on disposal of equipment	3,494	-
	(647,504)	(4,820,791)
Rebate payment (note 8)	(494,543)	(536,403)
Changes in non-cash working capital (note 13)	(34,719)	(688,112)
Net cash used in operating activities	(1,176,766)	(6,045,306)
Financing activity		
Proceeds from issuance of shares	3,102,750	-
Share issuance costs	(364,366)	(3,867)
Proceeds on exercise of compensation units for cash	13,960	-
Net cash used in provided by financing activities	2,752,344	(3,867)
Investing activities		
Acquisition of property and equipment	(2,924)	(158,781)
Software development costs and third party software purchases	-	(14,512)
Net cash used in investing activities	(2,924)	(173,293)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	62,231	661,755
Cash inflow (outflow)	1,634,885	(5,560,711)
Cash, beginning of year	3,986,950	9,547,661
Cash, end of year	$ 5,621,835	$ 3,986,950
Supplemental cash flow information:		
Interest received during the year	$ 8,675	$ 30,077
Non-cash transactions:		
Issuance of shares in lieu of salaries and bonuses including prior years amounts accrued in accounts payable and accrued liabilities (note 7)	$ -	$ 540,058

See accompanying notes

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 NE, Calgary, Alberta, T1Y 6C1.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (note 2(a)) on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has reported net losses for the years ended July 31, 2016 of $2,704,669 and July 31, 2015 of $7,925,798 and has a cumulative deficit of $64,481,187 as at July 31, 2016 (2015- $61,776,518). The company must also maintain sufficient funding for its existing commitments (note 15). The ability of the Company to continue as a going concern is dependent upon future profitable operations. Although the Company is currently diversifying into other industries, the Company's customers are primarily in the oil and gas industry which is currently experiencing a major slowdown. This is a key factor impacting the Company's ability to maintain and grow its revenue and cash flow. There is uncertainty about the period when the Company will be able to attain profitability and generate positive cash flows from operations. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's cash position at July 31, 2016 is $5,621,835. On September 2, 2015, the Company closed a bought deal private placement of 1,551,375 common shares at a price of $2.00 per share for net proceeds of $2,738,384. The significant narrowing of the net loss and negative cash flow from operations for the year ended July 31, 2016 are positive signs that the Company is taking the necessary measures to achieve this result. The Company will need to closely monitor its cash on a regular basis and will take the necessary measures such as further reducing operating costs and increasing sales until the Company starts to generate sufficient cash flows from operations. There is no assurance that these initiatives will be successful.

Until the Company can achieve profitable operations, the Company may require additional debt or equity financing. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 26, 2016.

2. **Basis of preparation**

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A summary of the Company's significant accounting policies under IFRS is presented below.

(b) Basis of measurement

The consolidated financial statements have been prepared on the going concern basis, using historical cost.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s and its Canadian subsidiary's functional currency. The functional currency of the US subsidiary is US dollars.

(d) Basis of presentation

During the July 31, 2015 fiscal year end, the Company had a 50 to 1 share consolidation. As a result of this consolidation, 2014 figures have been recalculated to align with the post consolidated shares.

(e) 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 non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The 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 non-financial assets have been recorded for the year ended July 31, 2016 or July 31, 2015.

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 year.

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.

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.

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, deferred share units 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 these 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 consolidated financial statements.

Income tax

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized. Management had determined that future realization of its deferred Canadian 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 consolidated financial statements.

Going concern

When preparing financial statements, management is requirement to make an assessment of the entity's ability to continue as a going concern. This assessment requires management to estimate the Company's ability to meet current obligations and commitments as well as generate positive cashflow over the upcoming 12 months.

Revenue recognition

Revenue is derived primarily from the sales of set-up fees, integration fees, access and usage fees and project management fees. In recognizing revenue, the Company makes judgements about the probability of collection of the revenue from the customer. Judgments are also applied in the determination of the amount of revenue to allocate to individual elements in a multiple element arrangement and the determination of whether a deliverable constitutes a separate unit of accounting.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cortex Business Solutions Ltd. and Cortex Business Solutions USA, LLC. Intercompany balances and transactions are eliminated upon consolidation.

(b) Foreign currency translation

The Company's functional currency is the Canadian dollar. Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary items, such as property and equipment and intangible asset are translated to Canadian dollars at the rate of exchange in effect when the transactions occur. Foreign exchange gains and losses are recognized in the statement of loss.

The financial statements of entities that have a functional currency different from that of the Company (“foreign operations”) are translated into Canadian dollars as follows: assets and liabilities – at the closing date at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). All resulting changes are recognized in other comprehensive income as foreign exchange gain (loss) on foreign operations in the statement of comprehensive income (loss).

Actual foreign exchange gains and losses are recognized in the statement of loss.

(c) Financial instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through loss”, “loans and receivables”, or “financial liabilities measured at amortized cost” as defined by IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities designated as “fair value through loss” are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred.

Financial assets and financial liabilities classified as “loans and receivables” or “financial liabilities measured at amortized cost” are measured at amortized cost using the effective interest method of amortization. “Loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. “Financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through loss” and that are not derivatives. The Company has designated cash, short-term investments, accounts receivable and deposits as “loans and receivables” and accounts payable and accrued liabilities and rebate provision as “financial liabilities measured at amortized cost.

(ii) Equity instruments

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of any income tax effects.

(iii) Impairment

The Company assesses at each reporting date whether there is objective evidence that financial assets, other than those designated as “fair value through loss” are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of loss and comprehensive loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

(d) Intangible assets

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 distribute the software as a service has adequate resources expected to be available to complete the project and positive economic returns are expected. Management is required to make judgments on when the criteria for recognition as intangible assets are met.

Internally developed software costs will be amortized over the period of expected useful life commencing upon the completion of development and the software is available for use and being amortized on a straight line basis over a period of three to five years. As of July 31, 2016, all internally developed software costs have been fully amortized.

Third party software is amortized using the declining balance method at a rate of 30%.

(e) Property and equipment

Property and equipment are recorded at cost. Amortization is recorded using the declining balance method at the following annual rates:

Furniture and office equipment	20%
Computer equipment	30%

Leasehold improvements are amortized on a straight-line basis over the terms of the leases.

(f) Revenue recognition

The Company's revenue includes set-up fees, integration fees, access and usage fees and project management fees.

The Company sells its solution and services on a stand-alone basis or as a multiple-element transaction with separately identifiable components, also known as a bundled transaction. Where the Company enters into an agreement involving a bundled transaction, the Company records each of the separate components at their relative fair value and recognizes the revenue on an appropriate basis for each of the separate components. A delivered element is considered a separate unit of accounting if it has value to the customer on a stand-alone basis. The Company determines the fair value of each of the components sold based on the selling price when they are sold separately. When the fair value cannot be determined based on when it was sold separately, the Company determines a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction.

Set-up fee revenue is deferred and recognized as revenue over a one year period representing the estimated term of the contract.

Integration fees revenue is recognized over the integration project on a percentage of completion basis based on the provision of services provided.

Access and usage fees include a monthly fee plus a transaction fee which are recognized in the month the service is performed.

Project management fees are recognized over the term of the project as services are performed.

Finance income is recorded on an accrual basis as it is earned.

Deferred revenue results from amounts received in advance of the delivery of services where the Company has not met the criteria for revenue recognition as described herein.

(g) Stock-based compensation

The Company has a stock option plan as described in note 10. Stock options and warrants granted to directors, officers, employees and consultants of the Company are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options and warrants at the grant date using the Black-Scholes option pricing model.

Each tranche is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(h) Deferred share units

As part of the Company’s long-term incentives for non-executive directors a deferred share unit plan ("DSU") was established representing a component of director compensation. DSU awards vest immediately upon grant and are settled in cash upon written notice to the Company after a termination event. The settlement value is based on the Company’s common share value on the day the DSU is exercised The compensation costs for DSU’s awarded to non-executive directors is based on the fair values of these awards at the time the award is granted. This cost is recognized as a component of general and administration expense with a corresponding liability recorded on the balance sheet as it is the Company's requirement to settle the DSU's with cash. Changes in the fair values of the DSU’s are recorded as general and administration expense in the period the change occurs with a corresponding change in accounts payable and accrued liabilities. Upon settlement of these awards by cash, the outstanding liability for these awards is reduced.

(i) Provisions and contingent liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(j) Finance income and expenses

Finance income is comprised of interest on cash held at financial institutions using the effective interest method.

Finance expenses comprise interest expense on accretion of the discount on the rebate provision.

(k) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options and warrants granted to employees. Diluted earnings (loss) per share exclude all dilutive potential common shares if their effect is anti-dilutive.

(m) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership of an asset to the lessee. All leases other than finance leases are operating leases.

The Company has not entered into any finance lease arrangements.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Any incentives received upon entry into an operating lease are recognized on a straight-line basis over the term of the lease.

(n) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Corporate assets are also allocated to individual CGUs.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings. Where an impairment loss subsequently reverses, the carrying amount of the assets or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed what the carrying amount would have been if no impairment had been recorded. A reversal of impairment loss is recognized immediately in net earnings.

(Prepared in Canadian dollars)

(o) Short-term investments

Short-term investments consist of Guaranteed Investment Certificates ("GIC's") that have an original maturity from the date of purchase of more than three months. The GIC's are security for the Company's corporate credit cards and are described below:

Issue Date	Amount	Maturity date	Term	Interest
January 30, 2015	$10,000	January 30, 2020	5 years	Year 1 - 1.55%
				Year 2 - 1.65%
				Year 3 - 1.70%
				Year 4 - 1.80%
				Year 5 - 1.90%
July 30, 2015	$10,000	July 30, 2018	3 years	Year 1 - 0.85%
				Year 2 - 0.90%
				Year 3 - 0.95%
November 26, 2015	$40,000	November 28, 2016	1 year	0.9%
Total	$60,000			

(p) Recent accounting policies and new pronouncements

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.

IFRS 9 Financial Instruments

IFRS 9 introduces a number of new principles including (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking 'expected loss' impairment model, and (iii) a substantially-reformed approach to hedge accounting. Management has not yet determined that potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements. The standard is effective for the first interim period within years 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 15 will have on the Company's consolidated financial statements. The standard is effective for the first interim period within years beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 requires all leases, including financing and operating to be reported on a Company's balance sheet. The new standard will provide greater transparency on companies' lease assets and liabilities. The amendments will apply for annual periods beginning on January 1, 2019.

(Prepared in Canadian dollars)

4. **Accounts receivable**

	July 31 2016	July 31 2015
Accounts receivable		
Trade receivables	$ 551,178	$ 407,899
Accrued usage fees	259,782	405,658
Allowance for doubtful accounts	(20,000)	(20,000)
	790,960	793,557
Credit card charges holdback	75,182	74,895
	$ 866,142	$ 868,452
Allowance for doubtful account reconciliation		
Opening balance	$ 20,000	$ 10,000
Change in allowance for doubtful accounts	29,763	111,791
Amounts written off as uncollectible	(29,763)	(101,791)
Ending balance	$ 20,000	$ 20,000

5. **Property and equipment**

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
Cost				
Balance at July 31 2014	$ 1,053,872	$ 197,206	$ 24,237	$ 1,275,315
Additions	159,192	1,608	1,691	162,491
Disposals	(53,147)	-	-	(53,147)
Balance at July 31, 2015	1,159,917	198,814	25,928	1,384,659
Additions	3,293	-	-	3,293
Disposals	(29,772)	-	-	(29,772)
Balance at July 31, 2016	$ 1,133,438	$ 198,814	$ 25,928	$ 1,358,180
Accumulated Amortization				
Balance at July 31 2014	$ 748,588	$ 131,542	$ 5,519	$ 885,649
Amortization for the year	115,464	13,294	5,728	134,486
Disposals	(49,437)	-	-	(49,437)
Balance at July 31, 2015	814,615	144,836	11,247	970,698
Amortization for the year	104,059	10,813	5,727	120,599
Disposals in the year	(25,908)	-	-	(25,908)
Balance at July 31, 2016	$ 892,766	$ 155,649	$ 16,974	$ 1,065,389

(Prepared in Canadian dollars)

5. **Property and equipment** (continued)

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
Net book value:				
Balance at July 31, 2015	$ 345,302	$ 53,978	$ 14,681	$ 413,961
Balance at July 31, 2016	$ 240,672	$ 43,165	$ 8,954	$ 292,791

6. **Intangible assets**

	Third party software	Internally developed computer software	Total
Cost			
Balance at July 31 2014	$ 277,243	$ 5,277,725	$ 5,554,968
Additions	14,512	-	14,512
Balance at July 31, 2015	$ 291,755	$ 5,277,725	$ 5,569,480
Balance at July 31, 2016	$ 291,755	$ 5,277,725	$ 5,569,480
Accumulated Amortization			
Balance at July 31 2014	$ 207,345	$ 1,872,646	$ 2,079,991
Amortization for the year	23,145	1,702,540	1,725,685
Balance at July 31, 2015	$ 230,490	$ 3,575,186	$ 3,805,676
Amortization for the period	18,383	1,702,539	1,720,922
Balance at July 31, 2016	$ 248,873	$ 5,277,725	$ 5,526,598

	Third party software	Internally developed computer software	Total
Net book value:			
At July 31, 2015	$ 61,265	$ 1,702,539	$ 1,763,804
At July 31, 2016	$ 42,882	$ -	$ 42,882

7. **Accounts payable and accrued liabilities**

	July 31 2016	July 31 2015
Accounts payable and accrued liabilities		
Salaries, bonus and employee benefits payable	$ 151,451	$ 502,850
Trade payables	159,743	136,187
Accrued liabilities	463,924	274,880
Deferred share units	253,109	-
U.S. sales tax payable	16,309	15,858
GST payable	41,844	18,536
	$ 1,086,380	$ 948,311

(Prepared in Canadian dollars)

8. **Rebate provision**

The rebate provision arose as a result of a contract entered into by the Company to provide a customer a 5% rebate based on future gross revenue to a maximum rebate of $2,300,000. The provision has been calculated using a risk free discount rate of 2.5% based on a risk-adjusted future revenue growth.

	July 31 2016	July 31 2015
Opening balance	$ 772,764	$ 1,277,987
Payments	(494,543)	(536,403)
Accretion	19,225	31,180
Change in fair value estimate	(3,301)	-
Closing balance	294,145	772,764
Less: current portion	294,145	695,207
Long term portion	$ -	$ 77,557

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

	July 31, 2016		July 31, 2015	
	Number	**Amount**	**Number**	**Amount**
Common Shares				
Balance, beginning of year	7,426,349	$ 57,640,393	7,233,949	$ 56,778,460
Issue for cash (note 9(c))	1,551,375	3,102,750	-	-
Issued in lieu of salaries and bonus (note 9(e))	-	-	192,400	865,800
Exercise of Compensation Options	6,980	13,960	-	-
	8,984,704	60,757,103	7,426,349	57,644,260
Less: Share issuance costs	-	(364,366)	-	(3,867)
Less: Fair value of compensation units issued in connection with private placement	-	(101,222)	-	-
Balance, end of year	8,984,704	$ 60,291,515	7,426,349	$ 57,640,393

	July 31, 2016		July 31, 2015	
	Number	**Amount**	**Number**	**Amount**
Warrants				
Balance, beginning and end of year	447,580	$ 980,941	447,580	$ 980,941
Warrants expired during the year	(447,580)	(980,941)	-	-
Balance, end of year	-	$ -	447,580	$ 980,941

(Prepared in Canadian dollars)

9. **Share capital and warrants** (continued)

(c) Common share consolidation

On July 15, 2015 the Company consolidated its share capital on a 50 to 1 basis. All common shares, stock options, warrants and per share amounts prior to July 15, 2015 have been restated to reflect this share consolidation.

(d) On June 12, 2014, the Company received shareholder approval to issue up to 80,000 (4,000,000 pre consolidation) common shares to insiders and additional common shares to employees, excluding insiders, as part of the Employee Performance Management Program. In line with that resolution, in December of 2014 the Company issued 192,400 (9,620,000 pre consolidation) common shares, of which 37,900 (1,895,000 pre-consolidation) were paid to executives of the Company, issued at a market value totaling $865,800. No such issuance was may for the year ended July 31, 2016.

(e) On September 2, 2015, the Company closed a bought deal private placement of 1,551,375 common shares at a price of $2.00 per share for net proceeds of $2,738,384. The underwriters received 93,083 broker units (consisting of 1 share) with a fair value of $101,222. These units can be exercised for $2.00 and will expire September 2, 2017. As at July 31, 2016, 6,980 units have been exercised.

(f) 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 year ended July 31, 2016 of 8,843,281 and 8,864,298 (Basic and diluted 2015 - 7,345,699) respectively.

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 upon which the Company's common shares are then listed.

A summary of the status of the Company's stock option plan for the years ended July 31, 2016 and July 31, 2015 as follows:

	July 31, 2016		**July 31, 2015**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of year	361,520	$ 7.04	451,931	$ 13.00
Granted	251,000	2.23	182,078	4.19
Forfeited	(75,443)	9.35	(139,294)	9.54
Expired	-	-	(133,195)	20.16
Outstanding, end of year	537,077	$ 4.47	361,520	$ 7.04
Exercisable, end of year	206,083	$ 7.38	204,485	$ 9.15

(Prepared in Canadian dollars)

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

(b) The following table summarizes information about stock options outstanding and exercisable at July 31, 2016:

Range of Exercise Prices	Number Outstanding at July 31 2016	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Number Exercisable at July 31 2016	Weighted Average Exercise Price
$1.90 - $3.75	257,250	$ 2.27	4.85	years	6,256	$ 3.75
$4.00 - $6.50	179,000	4.57	3.55		99,000	5.03
$7.50 - $9.75	35,524	8.35	2.00		35,524	8.35
$10.00 - $12.00	65,303	10.75	1.08		65,303	10.75
	537,077	$ 4.47	3.77	years	206,083	$ 7.38

(c) The fair value of stock options granted was estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2016	2015
Expected life (years)	5	5
Risk-free interest rate (%)	0.68%	0.95%
Expected volatility (%)	75%	72%
Expected dividends ($/share)	Nil	Nil

The Company's expected volatility is based off its historical share price fluctuations.

A forfeiture rate of 1% was used when recording stock-based compensation for executives and directors and a forfeiture rate of 12.4% was used when recording stock-based compensation for non-insiders. This estimate is adjusted to the actual forfeiture rate. Stock based compensation cost of $196,226 (2015 - $347,856) was expensed during the year ending July 31, 2016.

11. **Income taxes**

(a) Income taxes recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 27% (2015 - 25.17%) to loss before income taxes as follows:

	2016	2015
Expected income tax recovery	$ (733,767)	$ (1,981,472)
Stock-based compensation	52,981	87,544
Other non-deductible expenses	5,752	10,767
Tax rate differential on US Income	2,934	10,681
Effect of increased future tax rate	-	(1,181,602)
Other	27,087	30,951
Deferred income taxes not recognized	658,000	3,075,532
Actual income taxes expense	$ 12,987	$ 52,401

The income tax provision is the result of a minimum corporate tax payable in the United States.

11. **Income taxes (continued)**

(b) The components of the future income tax asset at July 31, 2016 and July 31, 2015 are as follows:

	2016	2015
Property and equipment and intangible assets	$ 1,142,044	$ 604,892
Rebate liability	79,419	208,646
Cumulative eligible capital	17,658	17,658
Share issuance costs	244,323	272,535
Non-capital losses carried forward	14,029,122	14,847,893
Future income tax asset	15,512,566	15,951,624
Less: Deferred income tax asset not probable to be recovered	(15,512,566)	(15,951,624)
	$ -	$ -

(c) The Company has available the following approximate amounts for which no benefit has been recognized in the financial statements:

(i) Non-capital loss carryforwards:

Year of Expiry	Canada	US (in US dollars)
2026	$ 254,455	-
2027	495,895	-
2028	2,131,507	-
2029	5,973,874	-
2030	5,189,120	-
2031	8,044,987	-
2032	9,396,479	591,799
2033	5,544,194	-
2034	5,429,249	-
2035	6,738,609	-
2036	1,755,759	-
	$50,954,128	$ 591,799

(ii) Share issuance costs of $904,898 and $65,400 excess of tax costs over book value and cumulative eligible capital.

(d) The following tables provide a continuity of the deferred tax assets (liabilities):

Year ended July 31, 2016

	Balance July 31, 2015	Recognized in net loss	Recognized directly in equity	Balance July 31, 2016
Property and equipment and intangible assets	$604,892	$ 537,153	$ -	$1,142,045
Rebate liability	208,646	(129,227)	-	79,419
Non-capital losses	14,847,893	(818,771)	-	14,029,122
Share issuance costs	272,535	(127,120)	98,907	244,322
Cumulative eligible capital	17,658	-	-	17,658
Deferred income tax asset not probable to be recovered	(15,951,624)	537,965	(98,907)	(15,512,566)
	$ -	$ -	$ -	$ -

(Prepared in Canadian dollars)

11. **Income taxes** (continued)

Year ended July 31, 2015

	Balance July 31, 2014	Recognized in net loss	Recognized directly in equity	Balance July 31, 2015
Property and equipment and intangible assets	$ (19,709)	$ 624,601	$ -	$ 604,892
Rebate liability	319,497	(110,851)	-	208,646
Non-capital losses	12,155,809	2,692,084	-	14,847,893
Share issuance costs	402,933	(130,398)	-	272,535
Cumulative eligible capital	17,564	94	-	17,658
Deferred income tax asset not probable to be recovered	(12,876,094)	(3,075,530)	-	(15,951,624)
	$ -	$ -	$ -	$ -

12. **Finance (expenses) income**

Finance (expenses) income is comprised of:

	2016	2015
Interest income	$ 8,675	$ 30,077
Change in fair value estimate related to the rebate provision	$ 3,301	$ -
Accretion on rebate provision	(19,225)	(31,180)
	$ (7,249)	$ (1,103)

13. **Changes in non-cash working capital**

	2016	2015
Relating to operating activities:		
Decrease in accounts receivable	2,310	$ 177,972
Decrease in prepaid expenses and deposits	9,037	82,877
(Decrease) increase in accounts payable and accrued liabilities	138,069	(1,109,037)
(Decrease) increase in deferred revenue	(184,135)	102,928
Increase in income tax provision	-	57,148
	(34,719)	(688,112)

14. **Expenses by nature**

Expenses	**2016**	**2015**
Salaries employee benefit and contractors	$ 7,743,086	$ 12,252,320
General and administrative	1,187,478	1,829,607
Commissions and credit cards	610,910	1,045,638
Rent	419,926	512,651
Professional fees	368,700	498,113
Internet and hosting	140,104	112,982
Amortization	1,841,521	1,860,082
Stock based compensation	196,226	347,856
	$12,507,951	$ 18,459,249

15. **Commitments**

The Company has entered into various operating leases for office space expiring at various dates to January 31, 2018.

The Company has an obligation to pay rebates to certain customers based on future gross revenues (note 8).

The following is the minimum annual fiscal obligations, excluding rebate provision and share of operating costs relating to office space:

Fiscal 2017	280,644
Fiscal 2018	145,334
	$ 425,978

16. **Contingency**

The Company is party to disputes and claims in the normal course of business. The outcome of these claims is undeterminable and management is confident that the ultimate liability arising from these matters will not have a material impact on the financial statements.

A former employee of the Company has filed a complaint against Cortex Business Solutions in the state of Texas in the amount of $653,688 (US dollars). Additionally, a former employee of the Company has filed a complaint against the Company in the Province of Alberta in the amount of $18,000 (Canadian dollars). Management is of the opinion that there will not be any material amounts paid in response to the complaints and as such, no amounts have been accrued in the consolidated financial statements.

17. **Related party transactions**

Compensation to key management personnel

For July 31, 2016, key management includes members of the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, VP Business Development and US Sales, VP Client Services and VP Strategic Partnerships.

For July 31, 2015, key management includes members of the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Senior VP of US Operations and VP Business Development and US Sales

The aggregate compensation paid or payable to key management for services is as follows:

	2016	**2015**
Salaries, including cash bonus	947,261	1,148,551
Employee Benefits	19,435	10,306
Option-based awards	299,555	184,950
Other reimbursements	5,400	141,160
Share-based awards	-	157,647
Deferred share units	253,109	-
Severance payments	-	480,225
	$ 1,524,760	$ 2,122,839

Key management personnel are comprised of the Company's officers. As at July 31, 2016 there is a $826,000 commitment (July 31, 2015 – $810,000) relating to change of control or termination of employment of the key management personnel.

17. **Related party transactions** (continued)

For the year ended July 31, 2016:

- a company under significant influence by a director was paid a cash commission of $158,240 and 79,121 broker warrants with a fair value of $86,039 in consideration for their involvement with the September 2, 2015 private placement.
- included in general and administrative expenses is $12,019 paid to a related party for administrative duties performed.

18. **Financial instruments and risk management**

(a) Risk management overview

The Company's activities expose itself 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 consolidated 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 investments, accounts receivable, accounts payables and accrued liabilities and rebate provision approximate fair value due to the short term nature of those instruments.

(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 meets 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 July 31, 2016, the Company had $551,178 of trade accounts receivables. Of this amount, $156,674 are over 60 days, which is past due under the Company's normal credit terms. Of this amount, $20,000 has been allowed for under the Company's general allowance policy. At July 31, 2016, the Company had accrued receivable in the amount of $259,782 for services performed prior to July 31, 2016. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the carrying value of accounts receivable on the consolidated statement of financial position shown net of the allowance for doubtful accounts of $20,000.

Credit risk also exists in cash and other receivable relating to credit card processor hold backs as all balances are maintained at major financial institutions. These risks are mitigated because the financial institutions are major Canadian and U.S. banks.

(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. See going concern (note 1).

18. **Financial instruments and risk management** (continued)

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

	Accounts payable and accrued liabilities	Rebate provision	Total
Within one year	$ 1,086,379	$ 302,041	$ 1,388,420

(e) Market risk

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

The Company is exposed to currency risk.

The Company is exposed to currency risk on sales in the Company's wholly-owned U.S. subsidiary denominated in U.S. dollars. The Company had $3,213,064 in revenue for the year ended July 31, 2016 (2015 - $3,931,342) which was denominated in U.S. dollars. The Company had $198,120 (July 31, 2015 - $168,229) in U.S. accounts receivable, $96,252 (July 31, 2015 - $152,596) in accrued usage fees, $50,000 (July 31, 2015-$50,000) of other receivables and $1,670,083 (2015-$2,952,633) in U.S. bank accounts at July 31, 2016 denominated in U.S. dollars.

Included in accounts payable and accrued liabilities at July 31, 2016 are $159,383 (2015 - $117,720) denominated in U.S. dollars, respectively.

A 1% increase or decrease in foreign exchange rates on the net assets denominated in U.S. dollars would have an estimated impact of $17,000 on net loss at July 31, 2016.

(f) Capital management

The Company includes as capital, shareholders' equity which is comprised of share capital and warrants, contributed surplus, accumulated other comprehensive income 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 financing. 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, 2016.

The Company is not subject to externally imposed capital requirements.

There has been no change to the Company's capital management philosophy during the year ended July 31, 2016.

(Prepared in Canadian dollars)

19. **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:

	Year Ended July 31, 2016	Year Ended July 31, 2015
Canada	$ 5,557,085	$ 5,908,814
U.S.	4,266,433	4,678,141
	$ 9,823,518	$ 10,586,955

Substantially all of the non-current assets of the Company are located in Canada.