

Cortex Business Solutions Inc.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2017

DATED: October 24, 2017



October 24, 2017

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, 2017 and July 31, 2016 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2017 and July 31, 2016, their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Cortex Business Solutions Inc.

Consolidated Statements of Financial Position

(Prepared in Canadian dollars)

	July 31 2017	July 31 2016
Assets		
Current assets		
Cash	\$ 6,248,176	\$ 5,621,835
Short-term investments (note 3(o))	60,000	60,000
Accounts receivable (note 4)	1,220,442	866,142
Prepaid expenses	<u>180,710</u>	<u>145,823</u>
	7,709,328	6,693,800
Long term receivables	98,761	-
Deposits	35,061	35,061
Property and equipment (note 5)	178,118	292,791
Intangible assets (note 6)	<u>30,018</u>	<u>42,882</u>
	<u>\$ 8,051,286</u>	<u>\$ 7,064,534</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 1,834,471	\$ 1,086,380
Deferred revenue	423,734	46,854
Rebate provision (note 8)	-	294,145
Current income tax payable	<u>9,203</u>	<u>59,647</u>
	<u>2,267,408</u>	<u>1,487,026</u>
Shareholders' Equity		
Share capital (note 9)	60,562,286	60,291,515
Accumulated other comprehensive income	591,752	640,232
Contributed surplus	9,526,341	9,126,948
Deficit	<u>(64,896,501)</u>	<u>(64,481,187)</u>
	<u>5,783,878</u>	<u>5,577,508</u>
	<u>\$ 8,051,286</u>	<u>\$ 7,064,534</u>

Commitments (note 16)

The accompanying notes are an integral part of these consolidated financial statements

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, 2017 and 2016

(Prepared in Canadian dollars)

	2017	2016
Revenue		
Access and usage fees	\$ 9,964,212	\$ 9,376,298
Integration fees	268,579	404,062
Project management and other revenue	<u>826,501</u>	<u>43,158</u>
	11,059,292	9,823,518
Cost of Sales	<u>3,217,622</u>	<u>5,462,248</u>
Gross Profit	7,841,670	4,361,270
Expenses		
Sales and marketing	2,382,665	1,429,838
Research and development	1,869,596	1,990,361
General and administrative	3,676,862	3,412,059
Severance and termination charges	138,897	213,445
Onerous contract (note 13)	<u>217,638</u>	<u>-</u>
	<u>8,285,658</u>	<u>7,045,703</u>
Loss before finance income (expense)	(443,988)	(2,684,433)
Finance income (expense) (note 12)	6,546	(7,249)
Income tax recovery (expense) (note 11)	<u>22,128</u>	<u>(12,987)</u>
Net loss	<u>\$ (415,314)</u>	<u>\$ (2,704,669)</u>
Other comprehensive (loss) earnings		
Items that may be reclassified subsequently to net loss:		
Foreign exchange gain (loss) on foreign operations	<u>(48,480)</u>	<u>59,730</u>
Comprehensive loss	<u>\$ (463,794)</u>	<u>\$ (2,644,939)</u>
Net loss per share - basic and diluted (note 9(d))	<u>\$ (0.05)</u>	<u>\$ (0.31)</u>

The accompanying notes are an integral part of these consolidated financial statements

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	Deficit	Total Shareholders' Equity
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 cost	-	(364,366)	-	-	-	-	-	(364,366)
Translation of foreign operations	-	-	-	-	-	59,730	-	59,730
Stock based compensation	-	-	-	-	196,226	-	-	196,226
Expiration of warrants	-	-	(447,580)	(980,941)	980,941	-	-	-
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
Net loss	-	-	-	-	-	-	(415,314)	(415,314)
Translation of foreign operations	-	-	-	-	-	(48,480)	-	(48,480)
Compensation units & stock options exercised	85,279	270,771	-	-	(100,480)	-	-	170,291
Stock based compensation	-	-	-	-	499,873	-	-	499,873
Balance - July 31, 2017	<u>9,069,983</u>	<u>\$ 60,562,286</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 9,526,341</u>	<u>\$ 591,752</u>	<u>\$ (64,896,501)</u>	<u>\$ 5,783,878</u>

The accompanying notes are an integral part of these consolidated financial statements

Cortex Business Solutions Inc.
Consolidated Statements of Cash Flows
For the years ended July 31, 2017 and 2016

(Prepared in Canadian dollars)

	2017	2016
Cash provided by (used in)		
Operating activities		
Net loss	\$ (415,314)	\$ (2,704,669)
Items not affecting cash		
Stock-based compensation	499,873	196,226
Amortization	139,051	1,841,521
Long term receivables	(98,761)	-
Accretion on rebate provision	7,896	15,924
Loss on disposal of equipment	1,096	3,494
Rebate payment (note 8)	(302,041)	(494,543)
Changes in non-cash working capital (note 14)	<u>685,343</u>	<u>(34,719)</u>
Net cash provided by (used in) operating activities	<u>517,143</u>	<u>(1,176,766)</u>
Financing activities		
Proceeds from issuance of shares	-	3,102,750
Share issuance costs	-	(364,366)
Proceeds on exercise of compensation units & stock options	<u>170,291</u>	<u>13,960</u>
Net cash provided by financing activities	<u>170,291</u>	<u>2,752,344</u>
Investing activities		
Acquisition of property and equipment	<u>(12,610)</u>	<u>(2,924)</u>
Net cash used in investing activities	<u>(12,610)</u>	<u>(2,924)</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	<u>(48,483)</u>	<u>62,231</u>
Cash inflow	626,341	1,634,885
Cash, beginning of year	<u>5,621,835</u>	<u>3,986,950</u>
Cash, end of year	<u>\$ 6,248,176</u>	<u>\$ 5,621,835</u>
Supplemental cash flow information:		
Interest received during the year	<u>\$ 14,442</u>	<u>\$ 8,675</u>

The accompanying notes are an integral part of these consolidated financial statements

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

July 31, 2017 and 2016

(Prepared in Canadian dollars)

1. Nature of operations

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 Suite 130 - 115 Quarry Park Road SE, Calgary, Alberta, T2C 5G9.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 23, 2017.

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) 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:

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

July 31, 2017 and 2016

(Prepared in Canadian dollars)

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, 2017 or July 31, 2016.

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 compensation units 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.

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

July 31, 2017 and 2016

(Prepared in Canadian dollars)

Income tax

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized and/or realizable. 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 become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Revenue recognition

Revenue is derived primarily from the sales of access and usage fees, integration 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 earnings as foreign exchange gain (loss) on foreign operations in the statement of comprehensive income (loss).

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(Prepared in Canadian dollars)

From time to time, the Company may repatriate cash from its subsidiary for working capital purposes. Any cumulative translation adjustments associated with the repatriation of funds will remain in accumulated other comprehensive income and are not reclassified to comprehensive 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 statement of loss. 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, long term receivables 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 are classified as equity. Incremental costs directly attributable to the issue of common shares 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. 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.

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

July 31, 2017 and 2016

(Prepared in Canadian dollars)

(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 their respective leases.

(f) Revenue recognition

The Company's revenue includes access and usage fees, integration 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. Any discounts identified are proportionately allocated to all separately identifiable components.

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

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

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.

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

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(Prepared in Canadian dollars)

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 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 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 or shares when a director's service ceases. 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. The settlement value is based on the Company's common share value on the day the director retires from the Board of Directors. New grants of DSU's can be settled in cash or shares and the cost is recognized as a component of general and administrative expenses with a corresponding offset to contributed surplus as management intends to settle these in shares.

For DSU's granted during the year ended July 31, 2016, this cost is recognized as a component of general and administrative expense with a corresponding liability recorded on the balance sheet as it is the Company's requirement to settle these DSU's with cash. Changes in the fair values of the DSU's are recorded as general and administrative expenses 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.

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

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(Prepared in Canadian dollars)

(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 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 issued. 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 as of July 31, 2017.

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

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(Prepared in Canadian dollars)

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 and intangible 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 the statement of loss. 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 the statement of loss.

(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:

<u>Issue Date</u>	<u>Amount</u>	<u>Maturity date</u>	<u>Term</u>	<u>Interest</u>
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 28, 2016	<u>\$40,000</u>	November 30, 2017	1 year	0.9%
Total	\$60,000			

Cortex Business Solutions Inc.

Notes to the Consolidated Financial Statements

July 31, 2017 and 2016

(Prepared in Canadian dollars)

(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 Company for the first interim period beginning August 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 Company for the first interim period beginning August 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 standard will impact the Company and is effective for the first annual year ended July 31, 2020.

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Notes to the Consolidated Financial Statements
July 31, 2017 and 2016

(Prepared in Canadian dollars)

4. **Accounts receivable**

	July 31 2017	July 31 2016
Trade receivables	\$ 732,693	\$ 551,178
Accrued usage fees	444,619	259,782
Allowance for doubtful accounts	<u>(20,106)</u>	<u>(20,000)</u>
	1,157,206	790,960
Credit card charges holdback	<u>63,236</u>	<u>75,182</u>
	<u>\$ 1,220,442</u>	<u>\$ 866,142</u>
Allowance for doubtful account reconciliation		
Opening balance	\$ 20,000	\$ 20,000
Change in allowance for doubtful accounts	6,946	29,763
Amounts written off as uncollectible	<u>(6,840)</u>	<u>(29,763)</u>
Ending balance	<u>\$ 20,106</u>	<u>\$ 20,000</u>

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5. **Property and equipment**

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
Cost				
Balance at July 31 2015	\$ 1,159,917	\$ 198,814	\$ 25,928	\$ 1,384,659
Additions	3,293	-	-	3,293
Disposals	<u>(29,772)</u>	<u>-</u>	<u>-</u>	<u>(29,772)</u>
Balance at July 31, 2016	1,133,438	198,814	25,928	1,358,180
Additions	12,610	-	-	12,610
Disposals	<u>(7,800)</u>	<u>-</u>	<u>-</u>	<u>(7,800)</u>
Balance at July 31, 2017	<u>\$ 1,138,248</u>	<u>\$ 198,814</u>	<u>\$ 25,928</u>	<u>\$ 1,362,990</u>
Accumulated amortization				
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	<u>(25,908)</u>	<u>-</u>	<u>-</u>	<u>(25,908)</u>
Balance at July 31, 2016	892,766	155,649	16,974	1,065,389
Amortization for the year	74,068	43,165	8,954	126,187
Disposals in the year	<u>(6,704)</u>	<u>-</u>	<u>-</u>	<u>(6,704)</u>
Balance at July 31, 2017	<u>\$ 960,130</u>	<u>\$ 198,814</u>	<u>\$ 25,928</u>	<u>\$ 1,184,872</u>
Net book value				
Balance at July 31, 2016	<u>\$ 240,672</u>	<u>\$ 43,165</u>	<u>\$ 8,954</u>	<u>\$ 292,791</u>
Balance at July 31, 2017	<u>\$ 178,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,118</u>

Cortex Business Solutions Inc.
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6. Intangible assets

	Third party software	Internally developed computer software	Total
Cost			
Balance at July 31 2015	\$ <u>291,755</u>	\$ <u>5,277,725</u>	\$ <u>5,569,480</u>
Balance at July 31, 2016	\$ <u>291,755</u>	\$ <u>5,277,725</u>	\$ <u>5,569,480</u>
Balance at July 31, 2017	\$ <u>291,755</u>	\$ <u>5,277,725</u>	\$ <u>5,569,480</u>
Accumulated amortization			
Balance at July 31 2015	\$ 230,490	\$ 3,575,186	\$ 3,805,676
Amortization for the year	<u>18,383</u>	<u>1,702,539</u>	<u>1,720,922</u>
Balance at July 31, 2016	\$ 248,873	\$ 5,277,725	\$ 5,526,598
Amortization for the year	<u>12,864</u>	<u>-</u>	<u>12,864</u>
Balance at July 31, 2017	\$ <u>261,737</u>	\$ <u>5,277,725</u>	\$ <u>5,539,462</u>
Net book value			
Balance at July 31, 2016	\$ <u>42,882</u>	\$ <u>-</u>	\$ <u>42,882</u>
Balance at July 31, 2017	\$ <u>30,018</u>	\$ <u>-</u>	\$ <u>30,018</u>

7. Accounts payable and accrued liabilities

	July 31 2017	July 31 2016
Salaries, bonus and employee benefits payable	\$ 318,718	\$ 151,451
Trade payables	332,076	159,743
Accrued liabilities	544,855	463,924
Deferred share units	345,915	253,109
U.S. sales tax payable	16,324	16,309
GST payable	58,945	41,844
Onerous contract (note 13)	<u>217,638</u>	<u>-</u>
	\$ <u>1,834,471</u>	\$ <u>1,086,380</u>

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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. The remaining rebate provision was fully paid on July 31, 2017.

	July 31 2017	July 31 2016
Opening balance	\$ 294,145	\$ 772,764
Payments	(302,041)	(494,543)
Accretion	7,896	19,225
Change in fair value estimate	<u>-</u>	<u>(3,301)</u>
Closing balance	-	294,145
Less: current portion	<u>-</u>	<u>294,145</u>
Long term portion	<u>\$ -</u>	<u>\$ -</u>

9. Share capital

(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, 2017		July 31, 2016	
	Number	Amount	Number	Amount
Common Shares				
Balance, beginning of year	8,984,704	\$ 60,291,515	7,426,349	\$ 57,640,393
Issued for cash (note 9(c))	-	-	1,551,375	3,102,750
Exercise of compensation units	82,612	262,648	6,980	13,960
Exercise of stock options	2,667	8,123	-	-
Less: Share issuance costs	-	-	-	(364,366)
Less: Fair value of compensation units issued in connection with private placement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,222)</u>
Balance, end of year	<u>9,069,983</u>	<u>\$ 60,562,286</u>	<u>8,984,704</u>	<u>\$ 60,291,515</u>

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9. **Share capital (continued)**

	July 31, 2017		July 31, 2016	
	Number	Amount	Number	Amount
Warrants				
Balance, beginning of year	-	\$ -	447,580	\$ 980,941
Warrants expired during the year	<u>-</u>	<u>-</u>	<u>(447,580)</u>	<u>(980,941)</u>
Balance, end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

- (c) 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 compensation units, consisting of one 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, 2017, 89,592 units have been exercised and subsequent to year-end, all remaining units have been exercised prior to their expiry date.

- (d) Net loss per share

Net loss per share has been calculated using the basic and diluted weighted average number of common shares outstanding during the years ended:

July 31, 2017		July 31, 2016	
Basic	Diluted	Basic	Diluted
8,991,580	9,083,475	8,843,281	8,864,298

The diluted weighted average number of common shares have been adjusted for additional shares that would have been outstanding assuming the conversion of all dilutive options and compensation units.

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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 have a term of five years and vest over a three year 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, 2017 and July 31, 2016 as follows:

	July 31, 2017		July 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	537,077	\$ 4.47	361,520	\$ 7.04
Granted	124,390	3.61	251,000	2.23
Exercised	(2,667)	1.90	-	-
Forfeited	(18,711)	4.76	(75,443)	9.35
Expired	<u>(34,535)</u>	<u>10.98</u>	<u>-</u>	<u>-</u>
Outstanding, end of year	<u>605,554</u>	<u>\$ 3.93</u>	<u>537,077</u>	<u>\$ 4.47</u>
Exercisable, end of year	<u>285,426</u>	<u>\$ 4.97</u>	<u>206,083</u>	<u>\$ 7.38</u>

- (b) The following table summarizes information about stock options outstanding and exercisable at July 31, 2017:

Range of Exercise Prices	Number Outstanding at July 31 2017	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable at July 31 2017	Weighted Average Exercise Price
\$1.90 - \$3.75	286,624	\$ 2.27	3.90 years	86,496	\$ 2.34
\$4.00 - \$6.50	259,000	4.52	3.27	139,000	4.73
\$7.50 - \$9.75	32,052	8.32	1.00	32,052	8.32
\$10.00 - \$12.00	<u>27,878</u>	<u>10.43</u>	<u>0.82</u>	<u>27,878</u>	<u>10.43</u>
	<u>605,554</u>	\$ 3.93	3.34 years	<u>285,426</u>	\$ 4.97

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

- (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:

	2017	2016
Expected life (years)	5	5
Risk-free interest rate (%)	0.99%	0.68%
Expected volatility (%)	77.21%	75%
Expected dividends (\$/share)	Nil	Nil

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

A forfeiture rate of 1% (2016 - 1%) was used when recording stock-based compensation for executives and directors and a forfeiture rate of 12.8% (2016 - 12.4%) was used when recording stock-based compensation for non-insiders. This estimate is adjusted to the actual forfeiture rate when options vest. Stock based compensation cost of \$299,873 (2016 - \$196,226) was expensed during the year ending July 31, 2017.

- (d) Deferred share units are issued to members of the Board of the Directors.

2016 Plan	July 31, 2017		July 31, 2016	
	Number of DSU's	Value	Number of DSU's	Value
Balance, beginning	105,462	\$ 253,109	-	\$ -
Granted during the period	-	-	105,462	200,000
Exercised during the period	(21,092)	(57,287)	-	-
Fair value change	-	<u>150,093</u>	-	<u>53,109</u>
Balance, end of period	<u>84,370</u>	<u>\$ 345,915</u>	<u>105,462</u>	<u>\$ 253,109</u>

2017 Plan	July 31, 2017	
	Number of DSU's	Value
Balance, beginning	-	\$ -
Granted during the period	75,875	200,000
Exercised during the period	-	-
Balance, end of period	<u>75,875</u>	<u>\$ 200,000</u>

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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% (2016 - 27%) to loss before income taxes as follows:

	2017	2016
Expected income tax recovery	\$ (118,109)	\$ (733,767)
Stock-based compensation	134,966	52,981
Other non-deductible expenses	9,238	5,752
Tax rate differential on US Income	9,495	2,934
Other	(26,094)	27,087
Deferred taxes not recognized	72,976	658,000
Utilization of deferred tax assets not previously recognized	<u>(104,600)</u>	<u>-</u>
Actual income taxes (recovery) expense	<u>\$ (22,128)</u>	<u>\$ 12,987</u>

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

- (b) The components of the deferred tax assets at July 31, 2017 and July 31, 2016 are as follows:

	2017	2016
Property and equipment and intangible assets	\$ 1,241,498	\$ 1,142,044
Rebate liability	-	79,419
Cumulative eligible capital	-	17,658
Share issuance costs	123,821	244,323
Onerous contract	58,762	-
Non-capital losses carried forward	<u>14,672,950</u>	<u>14,029,122</u>
Deferred tax assets	16,097,031	15,512,566
Less: Deferred tax assets not probable to be recovered	<u>(16,097,031)</u>	<u>15,512,566</u>
	<u>\$ -</u>	<u>\$ -</u>

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11. **Income taxes** (continued)

(c) The Company has available the following approximate amounts for which no benefit has been recognized in the consolidated 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	505,545
2033	7,956,258	-
2034	5,429,249	-
2035	6,738,609	-
2036	1,657,988	-
2037	404,214	-
	<u>\$ 53,672,635</u>	<u>\$ 505,545</u>

(ii) Share issuance costs of \$458,597.

(d) The following tables provide a continuity of the deferred taxes:

Year ended July 31, 2017

	Balance July 31, 2016	Recognized in net loss	Recognized directly in equity	Balance July 31, 2017
Property and equipment and intangible assets	\$1,142,044	\$ 80,485	\$ -	\$1,222,529
Rebate provision	79,419	(79,419)	-	-
Onerous contract	-	58,762	-	58,762
Non-capital losses	14,029,122	643,828	-	14,672,950
Share issuance costs	244,323	(120,502)	-	123,821
Cumulative eligible capital	17,658	1,311	-	18,969
Deferred tax assets not probable to be recovered	<u>(15,512,566)</u>	<u>(584,465)</u>	<u>-</u>	<u>(16,097,031)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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11. **Income taxes** (continued)

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	\$ 537,152	\$ -	\$ 1,142,044
Rebate provision	208,646	(129,227)	-	79,419
Non-capital losses	14,847,893	(818,771)	-	14,029,122
Share issuance costs	272,535	(127,119)	98,907	244,323
Cumulative eligible capital	17,658	-	-	17,658
Deferred tax assets not probable to be recovered	<u>(15,951,624)</u>	<u>537,965</u>	<u>(98,907)</u>	<u>(15,512,566)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

12. **Finance income (expense)**

Finance income (expenses) is comprised of:

	2017	2016
Interest income	\$ 14,442	\$ 8,675
Change in fair value estimate related to the rebate provision	-	3,301
Accretion on rebate provision	<u>(7,896)</u>	<u>(19,225)</u>
	<u>\$ 6,546</u>	<u>\$ (7,249)</u>

13. **Onerous contract**

The Company recognized \$217,638 (F2016 - nil) relating to an onerous contract for its previous head office lease, which expires January 31, 2018. The provision represents management's estimate of the minimum unavoidable future lease obligations relating to space that is unoccupied. Amortization of certain leasehold improvements and furniture and office equipment were accelerated.

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

	2017	2016
Relating to operating activities:		
(Increase) decrease in accounts receivable	\$ (354,300)	\$ 2,310
(Increase) decrease in prepaid expenses	(34,887)	9,037
Increase in accounts payable and accrued liabilities	748,092	138,069
Increase (decrease) in deferred revenue	376,882	(184,135)
Decrease in current income tax payable	(50,444)	-
	<u>\$ 685,343</u>	<u>\$ (34,719)</u>

15. **Expenses by nature**

Expenses	2017	2016
Salaries employee benefit and contractors	\$ 7,622,563	\$ 7,743,086
General and administrative	1,491,742	1,187,478
Commissions and credit cards	846,509	610,910
Rent	419,903	419,926
Professional fees	331,891	368,700
Stock based compensation	299,876	196,226
Onerous contract	217,638	-
Amortization	139,136	1,841,521
Internet and hosting	134,025	140,104
	<u>\$ 11,503,283</u>	<u>\$ 12,507,951</u>

16. **Commitments**

The Company has entered into various operating leases for office space expiring at various dates to April 29, 2022.

The following is the minimum annual fiscal obligations, including the onerous contract described in note 13, while excluding the share of operating costs relating to office space:

Fiscal 2018	\$ 205,214
Fiscal 2019	119,760
Fiscal 2020	119,760
Fiscal 2021	119,760
Fiscal 2022	<u>89,820</u>
	<u>\$ 654,314</u>

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17. Related party transactions

Compensation to key management personnel

Key management includes members of the Board of Directors, the President and Chief Executive Officer and Chief Financial Officer, VP Business Development and US Sales, VP Client Services and VP Strategic Partnerships

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

	2017	2016
Salaries, including bonus	1,182,821	947,261
Employee benefits	18,126	19,435
Option-based awards	218,779	299,555
Other reimbursements	6,088	5,400
Deferred share units	<u>292,806</u>	<u>253,109</u>
	<u>\$ 1,718,620</u>	<u>\$ 1,524,760</u>

As at July 31, 2017 there is a commitment up to \$874,000 (2016 - \$826,000) relating to change of control or termination of employment of certain key management personnel.

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 compensation units with a fair value of \$86,039 in consideration for their involvement with the September 2, 2015 private placement. During the year ended July 31, 2017, all compensation units issued to this related party were exercised.

For the year ended July 31, 2017, no amounts (2016 - \$12,019) were included in general and administrative expenses 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, long-term receivable, deposits, accounts payables and accrued liabilities and rebate provision approximate fair value due to the short term nature of those instruments.

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18. Financial instruments and risk management (continued)

(c) Credit risk

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

The Company monitors its general allowance policy on accounts receivable on a regular basis. As at July 31, 2017, the Company had \$732,693 of trade accounts receivables. Of this amount, \$85,366 are over 60 days, which is past due under the Company's normal credit terms. Of this amount, \$20,016 has been allowed for under the Company's general allowance policy. At July 31, 2017, the Company had accrued receivable in the amount of \$444,619 for services performed prior to July 31, 2017. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the carrying value of accounts receivable and long term receivables on the consolidated statement of financial position shown net of the allowance for doubtful accounts of \$20,016.

Credit risk also exists in cash and other receivable relating to credit card processor holdbacks 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. As of July 31, 2017, all liabilities are expected to be settled within one year.

(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 \$3,333,924 in revenue for the year ended July 31, 2017 (2016 - \$3,213,064) which was denominated in U.S. dollars. The Company had \$199,644 (2016 - \$198,120) in U.S. accounts receivable, \$108,003 (2016 - \$96,252) in accrued usage fees, \$45,000 (July 31, 2016 - \$50,000) of other receivables and \$1,274,467 (2016 - \$1,670,083) in U.S. bank accounts at July 31, 2017 denominated in U.S. dollars.

Included in accounts payable and accrued liabilities at July 31, 2017 are \$205,186 (2016 - \$159,383) 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 \$14,000 on net loss at July 31, 2017.

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18. Financial instruments and risk management (continued)

(f) Capital management

The Company includes as capital, shareholders' equity which is comprised of share capital, contributed surplus, accumulated other comprehensive income and deficit. The Company's primary 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. The Company has positive net cash flows provided by operating activities, combined with \$6,248,176 in cash. The ability of the Company to continue as a going concern is dependent upon maintaining future profitable operations. 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 has set forth in its business plan, expected revenue and expense targets for the fiscal year ended July 31, 2018.

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, 2017.

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, 2017	Year ended July 31, 2016
Canada	\$ 6,646,291	\$ 5,557,085
U.S.	<u>4,413,001</u>	<u>4,266,433</u>
	<u>\$ 11,059,292</u>	<u>\$ 9,823,518</u>

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