

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Financial Position

(Prepared in Canadian dollars)
(unaudited)

	January 31 2015	July 31 2014
Assets		
Current assets		
Cash	\$ 6,859,012	\$ 9,547,661
Short-term investments	60,000	60,000
Accounts receivable (note 9(c))	1,263,082	1,046,424
Prepaid expenses	<u>191,203</u>	<u>237,738</u>
	8,373,297	10,891,823
Deposits	39,682	39,029
Property and equipment	416,937	389,666
Intangible assets	<u>2,618,226</u>	<u>3,474,977</u>
	<u>\$ 11,448,142</u>	<u>\$ 14,795,495</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9(d))	\$ 1,121,739	\$ 2,057,348
Current portion of deferred revenue	280,991	128,061
Current portion of rebate provision (note 3)	<u>550,532</u>	<u>523,592</u>
	1,953,262	2,709,001
Rebate provision (note 3)	<u>743,429</u>	<u>754,395</u>
	<u>2,696,691</u>	<u>3,463,396</u>
Shareholders' Equity		
Share capital (note 4)	57,640,393	56,778,460
Accumulated other comprehensive income	476,748	(77,285)
Warrants (note 4)	980,941	980,941
Contributed surplus	7,719,596	7,500,703
Deficit	<u>(58,066,227)</u>	<u>(53,850,720)</u>
	<u>8,751,451</u>	<u>11,332,099</u>
	<u>\$ 11,448,142</u>	<u>\$ 14,795,495</u>
Going concern (note 1)		
Commitments (note 7)		
Subsequent events (note 11)		
See accompanying notes		

Approved by the Board:

(Signed) "Grant Billing", Director

(Signed) "Randy Henderson", Director

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

For the three and six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

	Three months ended January 31		Six months ended January 31	
	2015	2014	2015	2014
Revenue				
Access and usage fees	\$ 2,506,230	\$ 1,829,303	\$ 4,936,458	\$ 3,485,118
Integration fee and set-up fees	149,993	149,191	292,569	283,958
Project management	<u>166,859</u>	<u>5,575</u>	<u>225,702</u>	<u>5,575</u>
	2,823,082	1,984,069	5,454,729	3,774,651
Cost of Sales	<u>1,541,545</u>	<u>1,294,233</u>	<u>3,245,331</u>	<u>2,356,957</u>
Gross Profit	1,281,537	689,836	2,209,398	1,417,694
Expenses				
Sales and marketing	1,083,592	760,499	2,047,409	1,525,638
Research and development costs	964,297	245,944	1,540,804	480,140
General and administrative	1,253,361	865,630	2,583,693	2,056,220
Severance and employee termination costs	<u>263,625</u>	<u>-</u>	<u>263,625</u>	<u>-</u>
	<u>3,564,875</u>	<u>1,872,073</u>	<u>6,435,531</u>	<u>4,061,998</u>
Loss before finance income	(2,283,338)	(1,182,237)	(4,226,133)	(2,644,304)
Finance income (expense) (note 6)	<u>2,229</u>	<u>(7,753)</u>	<u>10,626</u>	<u>(9,624)</u>
Net loss	<u>\$ (2,281,109)</u>	<u>\$ (1,189,990)</u>	<u>\$ (4,215,507)</u>	<u>\$ (2,653,928)</u>
Other comprehensive earnings				
Items that may be reclassified subsequently to net loss:				
Foreign exchange gain on foreign operations	<u>315,462</u>	<u>101,380</u>	<u>554,033</u>	<u>101,380</u>
Comprehensive loss	<u>\$ (1,965,647)</u>	<u>\$ (1,088,610)</u>	<u>\$ (3,661,474)</u>	<u>\$ (2,552,548)</u>
Net loss per share-basic and diluted (note 4(b))	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

Going concern (note 1)
See accompanying notes

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(Prepared in Canadian dollars)
(unaudited)

	Number of Common shares	Common shares stated value	Number of Warrants	Warrants stated value	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity
Balance - July 31, 2013	259,147,375	\$ 47,713,288	22,379,000	\$ 980,941	\$ 6,492,492	\$ -	\$ (47,963,620)	\$ 7,223,101
Net loss	-	-	-	-	-	-	(2,653,930)	(2,653,930)
Options exercised for cash	65,852	13,480	-	-	-	-	-	13,480
Transferred on exercise of options	-	8,502	-	-	(8,502)	-	-	-
Issued in lieu of salaries and bonus	2,484,200	397,472	-	-	-	-	-	397,472
Issuance costs	-	(6,037)	-	-	-	-	-	(6,037)
Stock-based compensation	-	-	-	-	300,105	-	-	300,105
Foreign exchange translation of foreign operations	-	-	-	-	-	101,380	-	101,380
Balance - January 31, 2014	<u>261,697,427</u>	<u>\$ 48,126,705</u>	<u>22,379,000</u>	<u>\$ 980,941</u>	<u>\$ 6,784,095</u>	<u>\$ 101,380</u>	<u>\$ (50,617,550)</u>	<u>\$ 5,375,571</u>
Balance - July 31, 2014	361,697,427	56,778,460	22,379,000	980,941	7,500,703	(77,285)	(53,850,720)	11,332,099
Net loss	-	-	-	-	-	-	(4,215,507)	(4,215,507)
Issued during the period	9,620,000	865,800	-	-	-	-	-	865,800
Share issue costs	-	(3,867)	-	-	-	-	-	(3,867)
Foreign exchange translation of foreign operations	-	-	-	-	-	554,033	-	554,033
Stock-based compensation	-	-	-	-	218,893	-	-	218,893
Balance - January 31, 2015	<u>371,317,427</u>	<u>\$ 57,640,393</u>	<u>22,379,000</u>	<u>\$ 980,941</u>	<u>\$ 7,719,596</u>	<u>\$ 476,748</u>	<u>\$ (58,066,227)</u>	<u>\$ 8,751,451</u>

Going concern (note 1)
See accompanying notes

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Cash Flows

For the three and six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

	For the three months ended January 31		For the six months ended January 31	
	2015	2014	2015	2014
Cash provided by (used in)				
Operating activities				
Net loss	\$(2,281,109)	\$ (1,189,990)	\$(4,215,507)	\$ (2,653,929)
Items not affecting cash				
Stock-based compensation	80,908	148,837	218,893	300,105
Amortization	465,299	305,079	923,836	461,032
Salaries paid in shares	865,800	16,000	865,800	16,000
Accretion on rebate provision	<u>7,987</u>	<u>11,851</u>	<u>15,974</u>	<u>23,702</u>
	(861,115)	(708,223)	(2,191,004)	(1,853,090)
Changes in non-cash working capital	<u>(1,288,626)</u>	<u>(460,010)</u>	<u>(963,533)</u>	<u>(312,827)</u>
Net cash used in operating activities	<u>(2,149,741)</u>	<u>(1,168,233)</u>	<u>(3,154,537)</u>	<u>(2,165,917)</u>
Financing activities				
Share issuance costs	(3,867)	(3,282)	(3,867)	(6,037)
Proceeds from exercise of stock options, net of costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,480</u>
Net cash (used in) from financing activities	<u>(3,867)</u>	<u>(3,282)</u>	<u>(3,867)</u>	<u>7,443</u>
Investing activities				
Acquisition of property and equipment	(84,717)	(2,666)	(88,950)	(5,325)
Software and software development costs	<u>(5,406)</u>	<u>(226,654)</u>	<u>(5,406)</u>	<u>(577,732)</u>
Net cash used in investing activities	<u>(90,123)</u>	<u>(229,320)</u>	<u>(94,356)</u>	<u>(583,057)</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	\$ <u>479,435</u>	\$ <u>88,091</u>	\$ <u>564,111</u>	\$ <u>88,091</u>
Cash (outflow)	(1,764,296)	(1,312,744)	(2,688,649)	(2,653,440)
Cash, beginning of period	<u>8,623,308</u>	<u>3,838,370</u>	<u>9,547,661</u>	<u>5,179,066</u>
Cash, end of period	<u>\$ 6,859,012</u>	<u>\$ 2,525,626</u>	<u>\$ 6,859,012</u>	<u>\$ 2,525,626</u>
Non-cash transactions:				
Issuance of shares in lieu of salaries and bonuses including prior period amounts accrued	<u>\$ 865,800</u>	<u>\$ 16,000</u>	<u>\$ 865,800</u>	<u>\$ 16,000</u>

Going concern (note 1)
See accompanying notes

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

1. Nature of operations and going concern

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (note 2(a)) on a going concern basis, which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has reported net losses for the six months ended January 31, 2015 and the year ended July 31, 2014 of \$4,215,507 and \$5,887,100 respectively, and has a cumulative deficit of \$58,066,227 as at January 31, 2015. The ability of the Company to continue as a going concern is dependent upon future profitable operations. When the Company can attain profitability and generate positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company has raised funds in the year ended July 31, 2014 through a short form prospectus on February 28, 2014 for gross proceeds of \$10,000,000. The Company's cash position at January 31, 2015 is \$6,859,012. The Company will need to closely monitor its cash on a regular basis and will need to take the necessary measures to preserve cash such as reduce operating costs, increase sales and seek additional sources of financing until the Company starts to generate sufficient cash flows from operations. There is no assurance that these initiatives will be successful.

Until the Company can achieve profitable operations, the Company may require additional debt or equity financing and should it not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities, revenues and expenses would be required. Any adjustments that may be required could be material.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on March 13, 2015.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated financial statements were prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended July 31, 2014. They were reported in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). Accordingly, certain financial information and disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual consolidated financial statements.

The condensed consolidated financial statements should be read in conjunction with Cortex's annual audited consolidated financial statements for the year ended July 31, 2014.

(b) Recent accounting policies and new pronouncements

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on August 1, 2014. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods. The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on August 1, 2014. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods.

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

(b) Recent accounting policies and new pronouncements (continued)

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

Amendment to IAS 32, 'Financial instruments: Presentation' The amendment clarifies the requirements for offsetting financial assets and liabilities. Specifically, the amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event.

Other standards and interpretations issued or amended which are effective for the first time for fiscal year ends beginning on or after August 1, 2014 but which did not have a material impact on the Company's consolidated financial statements or note disclosures as currently presented include:

Amendments to existing standards and interpretations

IAS 39, 'Hedge accounting and novation of derivatives'
IFRIC 21, 'accounting for levies imposed by governments'
IFRS 10, 'Consolidated financial statements'
IFRS 12, 'Disclosure of interest in other entities'
IAS 27, 'Consolidated and Separate Financial Statements'

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

Amendment to IAS 1 "presentation of financial statements". The amendment clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of account policies. This is effective for annual periods beginning on or after January 1, 2016

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

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

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

3. 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.

	January 31 2015	July 31 2014
Opening balance	\$ 1,277,987	\$ 1,656,915
Payments	-	(426,332)
Accretion	<u>15,974</u>	<u>47,404</u>
Closing balance	1,293,961	1,277,987
Less: current portion	<u>550,532</u>	<u>523,592</u>
	<u>\$ 743,429</u>	<u>\$ 754,395</u>

4. 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

	Six months ended			
	January 31, 2015		January 31, 2014	
	Number	Stated Value	Number	Stated Value
Common Shares				
Balance, beginning of period	361,697,427	\$ 56,778,460	259,147,375	\$ 47,713,288
Issued in lieu of salaries and bonus	9,620,000	865,800	2,484,200	397,472
Exercise of stock options	-	-	65,852	13,480
Transfer of fair value of stock options exercised	-	-	-	8,502
	<u>371,317,427</u>	<u>57,644,260</u>	<u>261,697,427</u>	<u>48,132,742</u>
Less: Share issuance costs	-	<u>3,867</u>	-	<u>6,037</u>
Balance, end of period	<u>371,317,427</u>	<u>\$ 57,640,393</u>	<u>261,697,427</u>	<u>\$ 48,126,705</u>
	January 31, 2015		January 31, 2014	
	Number	Stated Value	Number	Stated Value
Warrants				
Balance, beginning and end of period	<u>22,379,000</u>	<u>\$ 980,941</u>	<u>22,379,000</u>	<u>\$ 980,941</u>

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

(c) On December 31, 2014, in conjunction with the Company's Employee Performance Management and Executive Compensation programs, the Company issued 9,620,000 common shares for a fair value of \$865,800. Of this amount 1,895,000 were issued to insiders.

(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 three month period of 364,938,949 (2014 - 259,897,694). For 2015 and 2014, the potential effect of the exercise of stock options, warrants and Compensation Options would not be dilutive.

5. Stock-based compensation

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. All options vest over a 18 month period and have a term of five years or less. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) upon which the Company's common shares are then listed.

No warrants were exercised or expired in the period. There are 22,379,000 warrants outstanding at an exercise price of \$0.23125.

A summary of the status of the Company's stock option plan for the six months ended January 31, 2015 and the January 31, 2014 are as follows:

	January 31, 2015		January 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	22,596,562	\$ 0.26	20,176,933	\$ 0.28
Granted	3,103,900	0.09	3,375,100	0.21
Exercised	-	-	(65,852)	0.20
Forfeited	(1,426,582)	0.24	(964,917)	0.24
Expired	(955,870)	0.23	(75,000)	0.19
Outstanding, end of period	<u>23,318,010</u>	<u>\$ 0.24</u>	<u>22,446,264</u>	<u>\$ 0.27</u>
Exercisable, end of period	<u>17,856,019</u>	<u>\$ 0.28</u>	<u>16,092,327</u>	<u>\$ 0.29</u>

6. Finance income (expense)

Finance income (expense) is comprised of:

	Three months ended January 31		Six months ended January 31	
	2015	2014	2015	2014
Interest Income	\$ 10,216	\$ 4,098	\$ 26,600	\$ 14,078
Accretion on rebate provision	<u>(7,987)</u>	<u>(11,851)</u>	<u>(15,974)</u>	<u>(23,702)</u>
	<u>\$ 2,229</u>	<u>\$ (7,753)</u>	<u>\$ 10,626</u>	<u>\$ (9,624)</u>

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

7. Commitments

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

The Company has an obligation to pay a rebate to a certain customer based on future gross revenues that is not included in the table below (note 3).

The following is the minimum annual obligations, excluding the rebate obligation described above:

Fiscal 2015	\$	336,450
Fiscal 2016		281,121
Fiscal 2017		280,644
Fiscal 2018		<u>145,333</u>
	\$	<u>1,043,548</u>

8. Related party transactions

Key management includes the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, Chief Operations Officer and VP of Sales.

As of January 31, 2015 the commitment relating to change of control or termination of employment of the key management personnel was \$580,000 (July 31, 2014 - \$1,029,500).

9. Financial instruments and risk management

The Company has classified its financial instruments as follows:

(a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these condensed interim 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 meet its contractual obligations, and arises principally from the Company's trade receivables.

The Company monitors its general allowance policy on accounts receivable on a regular basis. As at January 31, 2015, the Company had \$701,895 of trade accounts receivables. Of this amount, \$280,544 are over 60 days, which is past due under the Company's normal credit terms. Of this amount, \$47,000 has been allowed

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

9. Financial instruments and risk management (continued)

for. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the fair value of accounts receivable on the consolidated statement of financial position shown net of the allowance for doubtful accounts of \$47,000.

Credit risk also exists in cash as all balances are maintained with two financial institutions. The risk is 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. The Company expects to pay its outstanding payables within the current year. See going concern (note 1).

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

	Accounts payable and accrued liabilities	Rebate provision	Total
Within one year	\$ 1,121,739	\$ 550,532	\$ 1,672,271
2 - 5 years	<u>-</u>	<u>782,455</u>	<u>782,455</u>
Total	<u>\$ 1,121,739</u>	<u>\$ 1,332,987</u>	<u>\$ 2,454,726</u>

(e) Market risk

Market risk is the risk that financial instruments fair values and the Company's net earnings will fluctuate due to changes in exchange rates. The Company is exposed to currency risk.

The Company is exposed to currency price risk on sales in the Company's wholly-owned U.S. subsidiary denominated in U.S. dollars. The Company had \$974,955 revenue for the three month period ended January 31, 2015 (2014 - \$649,793) which was denominated in U.S. dollars. The Company had \$194,907 (2014 - \$70,285) in U.S. accounts receivable, \$250,056 (2014 - \$131,655) in accrued receivables and \$2,782,527 (2014 - \$1,200,645) in a U.S. bank account at January 31, 2015.

Included in accounts payable and accrued liabilities and deferred revenue are \$120,339 (2014 - \$23,000) and \$82,404 (2014 - \$70,266) denominated in U.S. dollars, respectively.

A 1% increase or decrease in foreign exchange rates would have a negligible impact on net loss at January 31, 2015.

Cortex Business Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Six months ended January 31, 2015 and 2014

(Prepared in Canadian dollars)

(unaudited)

9. Financial instruments and risk management (continued)

(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, 2015.

The Company is not subject to externally imposed capital requirements. There has been no change to the Company's capital management philosophy during the period ended January 31, 2015. See going concern (note 1).

10. Segmented information

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

Revenue by geographic area is as follows:

	Three Months Ended January 31		Six Months Ended January 31	
	2015	2014	2015	2014
Canada	\$ 1,686,693	\$ 1,321,514	\$ 3,161,523	\$ 2,491,709
U.S.	<u>1,136,389</u>	<u>662,555</u>	<u>2,293,206</u>	<u>1,282,942</u>
	<u>\$ 2,823,082</u>	<u>\$ 1,984,069</u>	<u>\$ 5,454,729</u>	<u>\$ 3,774,651</u>

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

11. Subsequent events

On February 22, 2015 the Chief Operating Officer left the Company to pursue other options. The Company paid a total gross retiring package of \$216,600 during Q3 F2015.