# Cortex Business Solutions Inc.

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2018

DATED: October 23, 2018

October 23, 2018

## 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, 2018 and July 31, 2017 and the consolidated statements of income (loss) and comprehensive income (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 consolidated 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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**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, 2018 and July 31, 2017 and 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 2018 | July 31 2017 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 8,197,785 | $ 6,248,176 |
| Short-term investments (note 3(n)) | 60,000 | 60,000 |
| Accounts receivable (note 4) | 907,108 | 1,220,442 |
| Prepaid expenses | 167,822 | 180,710 |
| | 9,332,715 | 7,709,328 |
| Long-term receivable | 131,785 | 98,761 |
| Deposits | 32,379 | 35,061 |
| Property and equipment (note 5) | 148,479 | 178,118 |
| Intangible assets (note 6) | 21,012 | 30,018 |
| Deferred tax assets (note 12) | 2,758,000 | - |
| | $ 12,424,370 | $ 8,051,286 |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (note 7) | $ 1,197,295 | $ 1,834,471 |
| Deferred revenue | 309,967 | 423,734 |
| Current income tax payable | 20,858 | 9,203 |
| Current portion of obligations under finance lease (note 8) | 22,923 | - |
| | 1,551,043 | 2,267,408 |
| Deferred rent (note 9) | 141,035 | - |
| Obligations under finance lease (note 8) | 13,801 | - |
| | 1,705,879 | 2,267,408 |
| **Shareholders' Equity** | | |
| Share capital (note 10) | 60,771,418 | 60,562,286 |
| Accumulated other comprehensive income | 620,433 | 591,752 |
| Contributed surplus | 9,881,276 | 9,526,341 |
| Deficit | (60,554,636) | (64,896,501) |
| | 10,718,491 | 5,783,878 |
| | $ 12,424,370 | $ 8,051,286 |

Commitments (note 16)
Subsequent event (note 20)

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

Approved by the Board:
(Signed) "Joel Leetzow", Director
(Signed) "Grant Billing", Director

# Cortex Business Solutions Inc.

**Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)**
**For the years ended July 31, 2018 and 2017**
(Prepared in Canadian Dollars)

| | Years ended July 31 2018 | 2017 |
|---|---|---|
| **Revenue** | | |
| Access and usage fees | $ 11,562,518 | $ 9,964,212 |
| Integration fees | 240,227 | 268,579 |
| Project management and other revenue | 651,035 | 826,501 |
| | 12,453,780 | 11,059,292 |
| **Cost of Sales** | 3,287,242 | 3,217,622 |
| **Gross Profit** | 9,166,538 | 7,841,670 |
| **Expenses** | | |
| Sales and marketing | 2,248,966 | 2,382,665 |
| Research and development | 1,900,089 | 1,869,596 |
| General and administrative | 3,276,424 | 3,676,862 |
| Severance and termination | 184,911 | 138,897 |
| Onerous contract (note 13) | - | 217,638 |
| | 7,610,390 | 8,285,658 |
| Income (loss) before finance income | 1,556,148 | (443,988) |
| Finance income | 36,481 | 6,546 |
| Income tax (expense) recovery - current (note 12) | (8,764) | 22,128 |
| Income tax recovery - deferred (note 12) | 2,758,000 | - |
| Net income (loss) | $ 4,341,865 | $ (415,314) |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to net income (loss): | | |
| Foreign exchange gain (loss) on foreign operations | 28,681 | (48,480) |
| Comprehensive income (loss) | $ 4,370,546 | $ (463,794) |

| | 2018 Basic | 2018 Diluted | 2017 Basic | 2017 Diluted |
|---|---|---|---|---|
| Net income (loss) per share (note 10(c)) | $ 0.48 | $ 0.47 | $(0.05) | $(0.05) |

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

# Cortex Business Solutions Inc.

## Consolidated Statement of Changes in Shareholders' Equity

(Prepared in Canadian Dollars)

| | Number of Common Shares | Share Capital | Accumulated Other Comprehensive Income | Contributed Surplus | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance – July 31, 2016 | 8,984,704 | $ 60,291,515 | $ 640,232 | $ 9,126,948 | $ (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 |
| Deferred share units issued | - | - | - | 200,000 | - | 200,000 |
| Stock based compensation | - | - | - | 299,873 | - | 299,873 |
| Balance – July 31, 2017 | 9,069,983 | $60,562,286 | $ 591,752 | $ 9,526,341 | $ (64,896,501) | $ 5,783,878 |
| Net income | - | - | - | - | 4,341,865 | 4,341,865 |
| Translation of foreign operations | - | - | 28,681 | - | - | 28,681 |
| Compensation units & stock options exercised | 27,163 | 89,132 | - | (31,051) | - | 58,081 |
| Deferred share units exercised for shares | 40,554 | 120,000 | - | (120,000) | - | - |
| Deferred share units issued | | | | 200,000 | | 200,000 |
| Stock based compensation | - | - | - | 305,986 | - | 305,986 |
| Balance – July 31, 2018 | 9,137,700 | $ 60,771,418 | $ 620,433 | $ 9,881,276 | $ (60,554,636) | $ 10,718,491 |

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

Cortex Business Solutions Inc.

## Consolidated Statement of Cash Flows

**For the years ended July 31, 2018 and 2017**

(Prepared in Canadian Dollars)

| | 2018 | 2017 |
|---|---|---|
| Cash provided by (used in) | | |
| **Operating activities** | | |
| Net income (loss) | $ 4,341,865 | $ (415,314) |
| Items not affecting cash | | |
| Recovery for deferred taxes | (2,758,000) | - |
| Stock-based compensation | 505,986 | 499,873 |
| Amortization | 183,624 | 139,051 |
| Deferred Rent | 141,035 | - |
| Accretion on rebate provision | - | 7,896 |
| Loss on disposal of equipment | 868 | 1,096 |
| Long term receivables | (33,024) | (98,761) |
| Rebate Payment | - | (302,041) |
| Changes in non-cash working capital (note 14) | (410,384) | 685,343 |
| Net cash provided by operating activities | 1,971,970 | 517,143 |
| **Financing activities** | | |
| Proceeds on exercise of compensation units & stock options | 58,081 | 170,291 |
| Finance lease payments | (30,081) | - |
| Net cash provided by financing activities | 28,000 | 170,291 |
| **Investing Activities** | | |
| Acquisition of property and equipment | (79,043) | (12,610) |
| Net cash used in investing activities | (79,043) | (12,610) |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currency | 28,682 | (48,483) |
| Cash inflow | 1,949,609 | 626,341 |
| Cash, beginning of year | 6,248,176 | 5,621,835 |
| Cash, end of year | $ 8,197,785 | $6,248,176 |
| Supplemental cash flow information: | | |
| Interest received during the year | $ 39,154 | $ 14,442 |

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

## 1. NATURE OF OPERATIONS – REPORTING ENTITY

Cortex Business Solutions Inc. ("Cortex" or the "Company") is listed on the TSX Venture Exchange and its primary business is the supply of e-commerce products and services that improve efficiencies, reduces fixed and variable costs and streamline procurement and supply chain processes for its customers in both Canada and the United States of America ("US"). The head office and principal address of the Company is Suite 130 – 115 Quarry Park Road SE, Calgary, Alberta T2C 5G9.

These audited consolidated financial statements were approved and authorized by the Board of Directors on October 23, 2018.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") an 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 the US dollar.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires Management to make judgements, 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 judgements 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 or actual results are known, 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 indicators 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, 2018 or July 31, 2017.

*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.

*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.

*Income tax*

Management is required to apply judgment in determining whether it is probable deferred income tax asset will be realized and/or realizable. For July 31, 2018 Management determined the future realization of an estimated portion of its deferred income tax asset did meet the threshold of being probable and, as such, recognized a deferred income tax asset 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 exchange rate on the date of the statement of financial position, and income and expenses – at the average exchange 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).

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 profit or 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 profit or loss" are measured at fair value with changes in fair value recognized in the statement of income (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 profit or loss" and that are not derivatives. The Company has designated cash and cash equivalents, short term investments, accounts receivable, long term receivables and deposits as "loans and receivables" and accounts payable and accrued liabilities 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.

(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 and other revenue.

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 standalone 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.

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

(i) Stock options

The Company has a stock option plan as described in note 11. 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.

(ii) 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.

(h) 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.

(i) Finance income

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

(j) 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.

(k) Net income (loss per share)

Basic net income (loss) per share is calculated by dividing the income (loss) attributable to comon shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income (loss) 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.

Diluted net income (loss) per share exclude all dilutive potential common shares if their effect is anti-dilutive.

(l) 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.

At the inception of a finance lease, an asset and an obligation is recorded at the lesser of the present value of the minimum lease payments and the asset's fair value.

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.

(m) 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 CGU's.

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 income (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 income (loss).

(Prepared in Canadian Dollars)

(n) Short-term investments

Short term investments consist of Guaranteed Investment Certificates ("GIC") that have an original maturity from the date of purchase of more than three months. The Company is eligible to redeem GIC's at the end of each anniversary date without substantial penalties. 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 | Annual ramp up 1.55% - 1.90% |
| July 30, 2018 | $ | 10,000 | July 30, 2021 | 3 years | Annual ramp up 0.65% - 0.75% |
| November 28, 2016 | $ | 40,000 | December 3, 2018 | 1 year | 0.90% |
| | $ | 60,000 | | | |

(o) Recent accounting pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the 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, which replaces the existing guidance in IAS 39, 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. It carries forward existing requirements on recognition and de-recognition of financial instruments from IAS 39. 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 new standard replaces IAS 11, IAS 18 IFRIC 13, IFRIC 15, IFRIC 18 and SIC 18. 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.

(Prepared in Canadian Dollars)

The standard contains a single model that applies to contracts with customers. The model features a contract-based five-step analysis of transactions to determine how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and timing of revenue recognized.

The Company will adopt IFRS 15, effective August 1, 2018, using the cumulative effect method. Under the cumulative effect method, the Company will recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of accumulated deficit earnings as at August 1, 2018. Therefore, the comparative information will not been restated and continues to be reported under IAS 18 and IAS 11.

*IFRS 16 Leases*

IFRS 16, which replaces IAS 17, requires all leases, including financing and operating to be reported on a company's balance sheet. The new standard will provide greater transparency on a lessee's right of use assets representing its right to use the underlying asset and the lease liability representing its obligation to make lease payments. Management has not yet determined the potential impact the adoption of IFRS 16 will have on the Company's consolidated financial statements. The standard will impact the Company and is effective for the first annual year ended July 31, 2020.

## 4. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|---|---|---|
| Trade receivables | $ 561,771 | $ 732,693 |
| Accrued usage fees | 386,621 | 444,619 |
| Allowance for doubtful accounts | (41,284) | (20,106) |
| | 907,108 | 1,157,206 |
| Credit card charges holdback | - | 63,236 |
| | $ 907,108 | $ 1,220,442 |

**Allowance for doubtful accounts reconciliation**

| | 2018 | 2017 |
|---|---|---|
| Opening Balance | $ 20,106 | $ 20,000 |
| Change in allowance for doubtful accounts | 123,061 | 6,946 |
| Amounts written off as uncollectible | (101,883) | (6,840) |
| Ending Balance | $ 41,284 | $ 20,106 |

(Prepared in Canadian Dollars)

## 5. PROPERTY AND EQUIPMENT

| | Computer Equipment | Furniture and Office Equipment | Leasehold Improvments | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at July 31, 2016 | $ 1,133,438 | $ 198,814 | $ 25,928 | $ 1,358,180 |
| Additions | 12,610 | - | - | 12,610 |
| Disposals | (7,800) | - | - | (7,800) |
| Balance at July 31, 2017 | 1,138,248 | 198,814 | 25,928 | 1,362,990 |
| Additions | 145,848 | - | - | 145,848 |
| Disposals | (927,880) | (198,814) | (25,928) | (1,152,622) |
| Balance at July 31, 2018 | $ 356,216 | $ - | $ - | $ 356,216 |
| **Accumulated amortization** | | | | |
| Balance at July 31, 2016 | 892,766 | 155,649 | 16,974 | 1,065,389 |
| Additions | 74,068 | 43,165 | 8,954 | 126,187 |
| Disposals | (6,704) | - | - | (6,704) |
| Balance at July 31, 2017 | 960,130 | 198,814 | 25,928 | 1,184,872 |
| Additions | 32,382 | - | - | 32,382 |
| Disposals | (784,775) | (198,814) | (25,928) | (1,009,517) |
| Balance at July 31, 2018 | $ 207,737 | $ - | $ - | $ 207,737 |
| **Net book value** | | | | |
| Balance at July 31, 2017 | $ 178,118 | $ - | $ - | $ 178,118 |
| Balance at July 31, 2018 | $ 148,479 | $ - | $ - | $ 148,479 |

## 6. INTANGIBLE ASSETS

| | Third party software |
|---|---|
| **Cost** | |
| Balance at July 31, 2016 | $ 291,755 |
| Balance at July 31, 2017 | 291,755 |
| Balance at July 31, 2018 | 291,755 |
| **Accumulated amortization** | |
| Balance at July 31, 2016 | $ 248,873 |
| Amortization for the year | 12,864 |
| Balance at July 31, 2017 | $ 261,737 |
| Amortization for the year | 9,006 |
| Balance at July 31, 2018 | $ 270,743 |
| **Net book value** | |
| Balance at July 31, 2017 | $ 30,018 |
| Balance at July 31, 2018 | $ 21,012 |

(Prepared in Canadian Dollars)

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2018 | 2017 |
|---|---|---|
| Salaries, bonus and employee benefits payable | $ 253,146 | $ 318,718 |
| Trade payables | 214,965 | 332,076 |
| Accrued liabilities | 445,610 | 544,855 |
| Deferred share units | 237,290 | 345,915 |
| U.S. sales tax payable | 20,055 | 16,324 |
| GST payable | 26,229 | 58,945 |
| Onerous contract (note 13) | - | 217,638 |
| | $ 1,197,295 | $ 1,834,471 |

## 8. OBLIGATIONS UNDER FINANCE LEASE

The Company entered into finance leases during the year ended July 31, 2018. These finance leases have terms ranging from 24 to 60 months, with interest rates of up to 5.8%.

| | 2018 |
|---|---|
| Opening balance, July 31, 2017 | $ - |
| Additions to finance lease during the period | 66,805 |
| Payments during the period | (30,081) |
| Ending balance | 36,724 |
| Less: current portion | 22,923 |
| Long term portion | $ 13,801 |

The Company has minimum lease payment commitments for the following amounts:

| | |
|---|---|
| F2019 | $ 23,903 |
| F2020 | 4,889 |
| F2021 | 4,889 |
| F2022 | 4,889 |
| Total | 38,570 |
| Interest | (1,846) |
| Principal | $ 36,724 |

## 9. DEFERRED RENT

On April 30, 2017, the Company entered into a new lease agreement for office space related to its new headquarters to begin August 1, 2017 through to April 29, 2022.

The Company received six months of free rent at the beginning of the lease as an inducement to enter into the new lease. As a result, a straight-line amount is calculated and charged to rent expenses over the life of the lease. Any differences are charged to deferred rent.

| | 2018 |
|---|---|
| Opening balance, July 31, 2017 | $ - |
| Amounts deferred for the period | 159,845 |
| Recognized for the period | (18,810) |
| Ending balance | $ 141,035 |

(Prepared in Canadian Dollars)

## 10. SHARE CAPITAL

(a) Authorized

i. Unlimited number of common voting shares

ii. 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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Common Shares** | | | | |
| Balance, beginning of year | 9,069,983 | $ 60,562,286 | 8,984,704 | $ 60,291,515 |
| Exercise of compensation units | 3,491 | 10,779 | 82,612 | 262,648 |
| Exercise of deferred share units for shares | 40,554 | 120,000 | - | - |
| Exercise of stock options | 23,672 | 78,353 | 2,667 | 8,123 |
| Balance, end of year | 9,137,700 | $ 60,771,418 | 9,069,983 | $ 60,562,286 |

(c) Net Income (loss) per share

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

| 2018 | | 2017 | |
|---|---|---|---|
| Basic | Diluted | Basic | Diluted |
| 9,108,889 | 9,198,091 | 8,991,580 | 9,083,475 |

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

The number of anti-dilutive stock options of 322,166 as of July 31, 2018 have not been included in the determination of the weighted average number of common shares.

(Prepared in Canadian Dollars)

## 11. 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 years ended July 31, 2018 and 2017 is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 605,554 | $ 3.93 | 537,077 | $ 4.47 |
| Granted | 100,000 | 4.19 | 124,390 | 3.61 |
| Exercised | (23,672) | 2.16 | (2,667) | 1.90 |
| Forfeited | (90,528) | 4.31 | (18,711) | 4.76 |
| Expired | (41,026) | 8.89 | (34,535) | 10.98 |
| Outstanding, end of period | 550,328 | $ 3.62 | 605,554 | $ 3.93 |
| Exercisable, end of period | 330,073 | $ 3.71 | 285,426 | $ 4.97 |

(b) The following table summarizes information about the stock options outstanding and exercisable at July 31, 2018:

| Range of exercise prices | Number of outstanding at July 31, 2018 | Weighted average exercise price | Number of exercisable at July 31, 2018 | Weighted average exercise price | Weighted average remaining contractual life |
|---|---|---|---|---|---|
| $1.90 - $3.75 | 227,802 | $ 2.28 | 140,880 | $ 2.30 | 2.91 |
| $4.00 - $6.50 | 314,000 | 4.41 | 180,667 | 4.51 | 2.85 |
| $7.50 - $9.75 | 4,526 | 9.50 | 4,526 | 9.50 | 0.34 |
| $10.00 - $12.00 | 4,000 | 10.25 | 4,000 | 10.25 | 0.27 |
| | 550,328 | $ 3.62 | 330,073 | $ 3.71 | 2.29 years |

(Prepared in Canadian Dollars)

(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:

| | 2018 | 2017 |
|---|---|---|
| Expected life (years) | 5 | 5 |
| Risk-free interest rate (%) | 1.67% | 0.99% |
| Expected volatility (%) | 72.94% | 77.21% |
| Expected dividends ($/share) | Nil | Nil |

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

A forfeiture rate of 1% (2017 - 1%) was used when recording stock-based compensation for executives and directors and a forfeiture rate of 12.7% (2017 - 12.8%) 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 $305,986 (2017 - $299,873) was expensed during the year ending July 31, 2018.

(d) Deferred share units are issued to members of the Board of the Directors. The Company's expected volatility is based on historical share price fluctuations.

| 2016 Plan | 2018 | | 2017 | | |
|---|---|---|---|---|---|
| | Number of DSU's | Value | Number of DSU's | | Value |
| Balance, beginning | 84,370 | 345,915 | 105,462 | $ | 253,109 |
| Granted during the period | - | - | - | | - |
| Exercised during the period | (21,092) | (85,255) | (21,092) | | (57,287) |
| Fair value change | - | (23,370) | - | | 150,093 |
| Balance, end of period | 63,278 | 237,290 | 84,370 | $ | 345,915 |

| 2017 & 2018 Plans | 2018 | | 2017 | | |
|---|---|---|---|---|---|
| | Number of DSU's | Value | Number of DSU's | | Value |
| Balance, beginning | 75,875 | 200,000 | - | $ | - |
| Granted during the period | 51,021 | 200,000 | 75,875 | | 200,000 |
| Exercised during the period | (40,554) | (120,000) | - | | - |
| Fair value change | - | - | - | | - |
| Balance, end of period | 86,342 | 280,000 | 75,875 | $ | 200,000 |

(Prepared in Canadian Dollars)

## 12. 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:

| | 2018 | 2017 |
|---|---|---|
| Expected income tax expense/(recovery) | $ 430,010 | $ (118,109) |
| Stock based compensation | 136,616 | 134,966 |
| Other non deductible expenses | 6,251 | 9,238 |
| Tax rate differential on US Income | (8,669) | 9,495 |
| Other | (65,680) | (26,094) |
| Deferred taxes not recognized | - | 72,976 |
| Deferred taxes recognized | (2,734,465) | - |
| Utilization of deferred tax assets not previously recognized | (513,299) | (104,600) |
| Actual income taxes (recovery) | $ (2,749,236) | $ (22,128) |

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

(b) The components of the deferred tax asset at July 31, 2018 and July 31, 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Property and equipment and intangible assets | $ 1,338,704 | $ 1,241,498 |
| Rebate liability | - | - |
| Cumulative eligible capital | - | - |
| Share issuance costs | 50,423 | 123,821 |
| Onerous contract | - | 58,762 |
| Non capital losses carried forward | 13,975,956 | 14,672,950 |
| Deferred tax assets | 15,365,083 | 16,097,031 |
| Less: Deferred tax assets not probable to be recovered | $ (12,607,083) | $ (16,097,031) |
| Deferred tax assets recognized | 2,758,000 | - |

(c) The Company has available the following approximate amounts for which an estimate of probable benefits has been recognized in the consolidated financial statements:

(i) Non-capital loss carry forwards:

| Year of Expiry | Canada | US (in US Dollars) |
|---|---|---|
| 2026 | $ 5,572 | $ - |
| 2027 | 20,163 | - |
| 2028 | 5,687,040 | - |
| 2029 | 5,029,545 | - |
| 2030 | 8,655,394 | - |
| 2031 | 8,837,638 | - |
| 2032 | 1,056,163 | 361,056 |
| 2033 | 7,340,658 | - |
| 2034 | 5,429,249 | - |
| 2035 | 6,738,609 | - |
| 2036 | 1,657,988 | - |
| 2037 | 433,433 | - |
| 2038 | 272,149 | |
| | $ 51,163,601 | $ 361,056 |

(ii) Share issuance costs of $186,754

The following tables provide a continuity of the deferred taxes:

| | Balance July 31, 2017 | Recognized in net income (loss) | Recognized directly in equity | Balance July 31, 2018 |
|---|---|---|---|---|
| Property and equipment and intangible assets | $ 1,222,529 | $ 116,175 | $ - | $ 1,338,704 |
| Rebate provision | - | - | - | - |
| Onerous contract | 58,762 | (58,762) | - | - |
| Non capital losses | 14,672,950 | (696,994) | - | 13,975,956 |
| Share issuance costs | 123,821 | (73,398) | - | 50,423 |
| Cumulative eligible capital | 18,969 | (18,969) | - | - |
| Deferred tax assets not probable to be recovered | (16,097,031) | 3,489,948 | - | (12,607,083) |
| | $ - | $ 2,758,000 | $ - | $ 2,758,000 |

(Prepared in Canadian Dollars)

| | Balance July 31, 2016 | Recognized in net income (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 | (15,512,566) | (584,465) | - | (16,097,031) |
| | $ - | $ - | $ - | $ - |

## 13. ONEROUS CONTRACT

For the year ended July 31, 2017, the Company recognized $217,638 relating to an onerous contract for its previous head office lease, which expired January 31, 2018. The provision represented 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 for the year ended July 31, 2018.

## 14. CHANGES IN NON-CASH WORKING CAPITAL

| | 2018 | 2017 |
|---|---|---|
| Relating to operating activities: | | |
| (Increase) decrease in accounts receivable | $ 313,334 | $ (354,300) |
| (Increase) decrease in prepaid expenses | 12,888 | (34,887) |
| Decrease in deposits | 2,682 | - |
| Increase (decrease) in accounts payable and accrued liabilities | (637,176) | 748,092 |
| Increase (decrease) in deferred revenue | (113,767) | 376,882 |
| Increase (decrease) in current income tax payable | 11,655 | (50,444) |
| | $ (410,384) | $ 685,343 |

## 15. EXPENSES BY NATURE

| | 2018 | 2017 |
|---|---|---|
| Salaries employee benefit and contractors | $ 7,373,055 | $ 7,622,563 |
| General and administrative | 1,563,259 | 1,491,742 |
| Commissions and credit cards | 648,630 | 846,509 |
| Rent | 319,300 | 419,903 |
| Professional fees | 281,843 | 331,891 |
| Stock based compensation | 305,986 | 299,876 |
| Onerous contract | - | 217,638 |
| Amortization | 183,624 | 139,136 |
| Internet and hosting | 221,935 | 134,025 |
| | $ 10,897,632 | $ 11,503,283 |

(Prepared in Canadian Dollars)

## 16. COMMITMENTS

The Company has entered into various operating and finance leases for office space and equipment expiring at various dates through to August 1, 2022.

The following is the minimum annual fiscal cash obligations while excluding the share of operating costs relating to office space:

| | | |
|---|---|---|
| Fiscal 2019 | $ | 143,663 |
| Fiscal 2020 | | 124,649 |
| Fiscal 2021 | | 124,649 |
| Fiscal 2022 | | 94,709 |
| | $ | 487,670 |

## 17. RELATED PARTY TRANSACTIONS

Compensation to key Management personnel

Key Management includes members of the Board of Directors, the President and Chief Executive Officer, VP Finance & Chief Financial Officer, VP Technologies and VP Customer Experience

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

| | | 2018 | | 2017 (note 21) |
|---|---|---|---|---|
| Salaries, including bonus | $ | 1,156,773 | $ | 914,884 |
| Employee benefits | | 13,938 | | 14,316 |
| Option based awards | | 97,480 | | 218,528 |
| Other reimbursements | | 5,460 | | 6,088 |
| Deferred share units | | 176,630 | | 292,806 |
| | $ | 1,450,281 | $ | 1,446,622 |

As at July 31, 2018 there is a commitment up to $880,000 (2017 – $874,000) relating to change of control or termination of employment of certain key Management personnel.

## 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.

(Prepared in Canadian Dollars)

(b) Fair value of financial instruments

The carrying value of cash and cash equivalents, short term investments, accounts receivable, long term receivable, accounts payables and accrued liabilities and obligations under finance lease 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, 2018, the Company had $561,771 (2017 – $732,693) of trade accounts receivables. Of this amount, $149,848 (2017 – $85,366) are over 60 days, which is past due under the Company's normal credit terms. Of this amount, $41,284 (2017 - $20,106) has been allowed for under the Company's general allowance policy. At July 31, 2018, the Company had accrued receivable in the amount of $386,621 (2017 - $444,619) for services performed prior to July 31, 2018. All accounts receivable balances 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 $41,284.

Credit risk also exists in cash and cash equivalents as all balances are maintained at major financial institutions. These risks are mitigated because the financial institutions are major Canadian and U.S. banks.

The maximum credit risk exposure is equal to the carrying value of cash and cash equivalents and accounts receivables.

| | | 2018 |
|---|---|---|
| Cash and cash equivalents | $ | 8,197,785 |
| Accounts receivable | | 907,108 |
| | $ | 9,104,893 |

(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 following table outlines the expected undiscounted payments of future financial liabilities at July 31, 2018:

| | Accounts payable and accrued liabilities | Obligations under finance lease | Total |
|---|---|---|---|
| Within one year | $ 1,197,295 | $ 22,923 | $ 1,220,218 |
| Two - five years | - | 13,801 | 13,801 |
| | $ 1,197,295 | $ 36,724 | $ 1,234,019 |

(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 (amounts below in US Dollars).

The Company is exposed to currency risk on sales in the Company's wholly owned U.S. subsidiary denominated in US dollars. The Company had $4,923,355 in revenue for the year ended July 31, 2018 (2017 - $4,413,001) which was denominated in U.S. dollars. The Company had $159,016 (2017 - $199,644) in U.S. trade accounts receivable, $101,887 (2017 - $108,003) in accrued usage fees, nil (2017 - $45,000) of other receivables and $601,201 (2017 - $1,274,467) in U.S. bank accounts at July 31, 2018 denominated in U.S. dollars.

Included in accounts payable and accrued liabilities at July 31, 2018 are $120,208 (2017 - $205,186) 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 $9,000 CAD on net income at July 31, 2018.

(Prepared in Canadian Dollars)

(f) Capital management

The Company considers its shareholders' equity which is comprised of share capital, contributed surplus, accumulated other comprehensive income and deficit, as part of its total capital. 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 consistent positive net cash flows provided by operating activities for the year ended July 31, 2018, combined with $8,197,785 in cash and cash equivalents. 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 cash and cash equivalents. The Company has detailed expected revenue and expense targets for the fiscal year ended July 31, 2018 incorporated into its business plan.

The Company is not subject to externally imposed capital requirements. There has been no change to the Company's capital management strategy during the year ended July 31, 2018.

## 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:

| | 2018 | 2017 |
|---|---|---|
| Canada | $ 7,530,425 | $ 6,646,291 |
| U.S. | 4,923,355 | 4,413,001 |
| | $ 12,453,780 | $ 11,059,292 |

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

## 20. SUBSEQUENT EVENT

Cortex entered into a share purchase agreement on September 27, 2018 whereby the Company agreed to acquire all of the issued and outstanding common and preferred shares of Powervision Software Inc. (“Powervision”) for an aggregate purchase price of $7,000,000, (the "Transaction"). The Transaction was primarily funded through cash consideration of $4,750,000, subject to customary holdbacks and adjustments, and a promissory note of $2,250,000.

The business acquired in the Transaction specializes in the development of electronic document management and workflow management software. Powervision's client base is oil and gas industry mainly in Canada. Powervision has been a Cortex partner since Cortex's inception and a significant number of Powervision customers are already on the Cortex Network. The Transaction will strengthen and expand Cortex's position as the digital document platform of choice across North America.

Cortex is currently in the process of assessing the purchase price allocation and expects to include a preliminary version in its October 31, 2018 condensed consolidated interim financial statements. The purchase price will be allocated to working capital and identifiable intangible assets including customer relationships & workforce and the excess to goodwill. The preliminary purchase price is subject to change and will be finalized no later than one year from the acquisition date.

## 21. COMPARATIVE FIGURES

The definition of key Management was revised for July 31, 2018. Certain comparative figures have been revised to conform to the current definition of key Management.