Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Financial Position

(Prepared in Canadian dollars)
(unaudited)

	April 30 2016	July 31 2015
Assets		
Current assets		
Cash	$ 5,896,618	$ 3,986,950
Short-term investments	60,000	60,000
Accounts receivable (note 7(c))	730,851	868,452
Prepaid expenses and deposits	175,261	154,861
	6,862,730	5,070,263
Deposits	35,061	35,061
Property and equipment	322,125	413,961
Intangible assets	473,119	1,763,804
	$ 7,693,035	$ 7,283,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 695,192	$ 948,311
Deferred revenue	59,944	230,989
Current portion of rebate provision (note 3)	496,426	695,207
Income tax payable	44,177	57,148
	1,295,739	1,931,655
Rebate provision (note 3)	287,212	77,557
	1,582,951	2,009,212
Shareholders' Equity		
Share capital (note 4)	60,277,555	57,640,393
Accumulated other comprehensive income	510,288	580,502
Warrants (note 4)	-	980,941
Contributed surplus	9,092,131	7,848,559
Deficit	(63,769,890)	(61,776,518)
	6,110,084	5,273,877
	$ 7,693,035	$ 7,283,089

Going concern (note 1)
Commitments (note 6)
See accompanying notes

Approved by the Board:

(Signed) "Joel Leetzow", Director

(Signed) "Randy Henderson", Director

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

For the three and nine months ended April 30, 2016 and 2015

(Prepared in Canadian dollars)
(unaudited)

	Three months ended April 30 2016	Three months ended April 30 2015	Nine months ended April 30 2016	Nine months ended April 30 2015
Revenue				
Access and usage fees	$ 2,263,485	$ 2,452,310	$ 7,223,753	$ 7,388,768
Integration fee and set-up fees	127,025	167,025	335,810	459,594
Project management	12,804	21,562	29,596	247,264
	2,403,314	2,640,897	7,589,159	8,095,626
Cost of Sales	1,319,152	1,381,534	4,128,834	4,626,865
Gross Profit	1,084,162	1,259,363	3,460,325	3,468,761
Expenses				
Sales and marketing	336,405	845,865	1,009,993	2,893,274
Research and development costs	434,426	795,750	1,509,674	2,336,554
General and administrative	846,457	1,070,314	2,722,685	3,654,007
Severance and employee termination costs	46,862	216,600	208,596	480,225
	1,664,150	2,928,529	5,450,948	9,364,060
Loss before finance income	(579,988)	(1,669,166)	(1,990,623)	(5,895,299)
Finance (expense) income	702	(5,054)	(3,793)	5,572
Current tax recovery	14,305	-	1,044	-
Net loss	$ (564,981)	$ (1,674,220)	$ (1,993,372)	$ (5,889,727)
Other comprehensive earnings Items that may be reclassified subsequently to net loss:				
Foreign exchange (loss) gain on foreign operations	(216,076)	(169,766)	(70,214)	384,267
Comprehensive loss	$ (781,057)	$ (1,843,986)	$ (2,063,586)	$ (5,505,460)
Net loss per share-basic and diluted (note 4(d))	$ (0.06)	$ (0.23)	$ (0.23)	$ (0.80)

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 value	Number of Warrants	Warrants value	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity
Balance - July 31, 2014	7,233,949	$ 56,778,460	447,580	$ 980,941	$ 7,500,703	$ (77,285)	$ (53,850,720)	$ 11,332,099
Net loss	-	-	-	-	-	-	(5,889,727)	(5,889,727)
Issued during the period	192,400	865,800	-	-	-	-	-	865,800
Share issue costs	-	(3,867)	-	-	-	-	-	(3,867)
Foreign exchange translation of foreign operations	-	-	-	-	-	384,267	-	384,267
Stock-based compensation	-	-	-	-	284,632	-	-	284,632
Balance - April 30, 2015	7,426,349	57,640,393	447,580	980,941	7,785,335	306,982	(59,740,447)	6,973,204
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	-	-	-	-	-	-	(1,993,372)	(1,993,372)
Issued during the period (note 4(e))	1,551,375	3,102,750						3,102,750
Issuance costs (note 4(e))	-	(364,366)	-	-	-	-	-	(364,366)
Expiration of warrants	-	-	(447,580)	(980,941)	980,941	-	-	-
Translation of foreign operations	-	-	-	-	-	(70,214)	-	(70,214)
Stock-based compensation	-	-	-	-	161,409	-	-	161,409
Compensation units issued in conjunction with private placement (note 4(e))	-	(101,222)	-	-	101,222	-	-	-
Balance - April 30, 2016	8,977,724	$ 60,277,555	-	$ -	$ 9,092,131	$ 510,288	$ (63,769,890)	$ 6,110,084

See accompanying notes

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Cash Flows

For the three and nine months ended April 30, 2016 and 2015

(Prepared in Canadian dollars)
(unaudited)

	For the three months ended April 30		For the nine months ended April 30	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating activities				
Net loss	$ (564,981)	$ (1,674,220)	$(1,993,372)	$ (5,889,727)
Items not affecting cash				
Stock-based compensation	39,620	65,740	161,409	284,632
Amortization	460,301	470,636	1,380,899	1,394,473
Salaries paid in shares	-	-	-	865,800
Accretion on rebate provision	1,245	7,988	10,874	23,962
Loss on disposal of equipment	-	-	2,811	-
Cash from operating activities before non-cash working capital	(63,815)	(1,129,856)	(437,379)	(3,320,860)
Changes in non-cash working capital	(141,687)	(201,239)	(306,963)	(1,164,772)
Net cash used in operating activities	(205,502)	(1,331,095)	(744,342)	(4,485,632)
Financing activities				
Proceeds from issuance of shares	-	-	3,102,750	-
Share issuance costs	-	-	(364,366)	(3,867)
Net cash (used in) from financing activities	-	-	2,738,384	(3,867)
Investing activities				
Acquisition of property and equipment	-	(63,347)	(1,189)	(152,297)
Software and software development costs	-	(9,102)	-	(14,508)
Net cash used in investing activities	-	(72,449)	(1,189)	(166,805)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	$ (377,756)	$ (160,769)	$ (83,185)	$ 403,342
Cash (outflow) inflow	(583,258)	(1,564,313)	1,909,668	(4,252,962)
Cash, beginning of period	6,479,876	6,859,012	3,986,950	9,547,661
Cash, end of period	$ 5,896,618	$ 5,294,699	$ 5,896,618	$ 5,294,699
Non-cash transactions:				
Issuance of shares in lieu of salaries and bonuses including prior period amounts accrued	$ -	$ -	$ -	$ 865,800

See accompanying notes

1. Nature of operations and going concern

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

These 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 nine months ended April 30, 2016 and the year ended July 31, 2015 of $1,993,372 and $7,925,798; negative cash flow from operations of $744,342 and $4,485,632 for the nine months ended April 30, 2016 and April 30, 2015, respectively, and has a cumulative deficit of $63,769,890 as at April 30, 2016. The ability of the Company to continue as a going concern is dependent upon future profitable operations. There is uncertainty when the Company will be able to attain profitability and generate positive cash flows from operations. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's cash position at April 30, 2016 is $5,896,618. 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 proceeds of which are to be used for working capital needs until such time that the Company achieves positive cash flow from operations. The significant narrowing of the net loss and negative cash flow from operations for the nine months ended April 30, 2016 are positive signs that the Company is taking the necessary measures to achieve this result. The Company will need to closely monitor its cash on a regular basis and will take the necessary measures such as further reducing operating costs and increasing sales until the Company starts to generate sufficient cash flows from operations. There is no assurance that these initiatives will be successful.

Until the Company can achieve profitable operations, the Company may require additional debt or equity financing or further reduce operating costs 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 June 8, 2016.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim 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, 2015 with the addition of the below accounting policy. 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, 2015.

(b) New accounting policies recent accounting pronouncements

New Accounting Policies

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 when a director's service ceases. The settlement value is based on the Company's common share value on the day the director retires from the Board of Directors. The compensation costs for DSU's awarded to non-executive directors is based on the fair values of these awards at the time the award is granted. This cost is recognized as a component of general and administration expense with a corresponding liability recorded on the balance sheet as it is the Company's intention to settle the DSU's with cash. Changes in the fair values of the DSU's are recorded as general and administration expense in the period the change occurs with a corresponding change in deferred compensation. Upon settlement of these awards by cash, the outstanding liability for these awards is reduced.

Recent accounting pronouncements

At the date of authorization of these condensed consolidated interim 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 condensed consolidated interim financial statements.

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

IFRS 15 Revenue from contracts with customers IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers. The standard contains principles that the Company will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that Company expects to be entitled to in exchange for those goods or services. Management has not yet determined that potential impact the adoption of IFRS 15 will have on the Company's consolidated financial statements. The standard is effective for the first interim period within years beginning on or after January 1, 2018.

IFRS 16 Leases IFRS 16 requires all leases, including financing and operating to be reported on a Company's balance sheet. The new standard will provide greater transparency on companies' lease assets and liabilities. The amendments will apply for annual periods beginning on January 1, 2019. The extent of the impact of adoption of this amendment has not yet been determined.

(Prepared in Canadian dollars)

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.

	April 30 2016	July 31 2015
Opening balance	$ 772,764	$ 1,277,987
Payments	-	(536,403)
Accretion	14,423	31,180
Change in fair value estimate	(3,549)	-
Closing balance	783,638	772,764
Less: current portion	496,426	695,207
	$ 287,212	$ 77,557

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

	Nine months ended April 30, 2016 Number	Value	April 30, 2015 Number	Value
Common Shares				
Balance, beginning of period	7,426,349	$ 57,640,393	7,233,949	$ 56,778,460
Issued for cash (note 4(e))	1,551,375	3,102,750	192,400	865,800
	8,977,724	60,743,143	7,426,349	57,644,260
Less: Share issuance costs	-	(364,366)	-	(3,867)
Less: Fair value of compensation units issued in connection with private placement	-	(101,222)	-	-
Balance, end of period	8,977,724	$ 60,277,555	7,426,349	$ 57,640,393

	Nine months ended April 30, 2016 Number	Value	April 30, 2015 Number	Value
Warrants				
Balance, beginning and end of period	447,580	$ 980,941	447,580	$ 980,941
Warrants expired during the period	(447,580)	(980,941)	-	-
Balance, end of period	-	-	447,580	980,941

(Prepared in Canadian dollars)

(c) Common share consolidation

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

(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 months ended April 30, 2016 of 8,977,724 and 9,013,001 (Basic and Diluted Q3 F2015 - 7,426,349) respectively, and for the nine months ended April 30, 2016 of 8,795,877 and 8,831,155 respectively (Basic and Diluted Q3 F2015 - 7,318,931).

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

5. Stock-based compensation

(a) The Company has a stock option plan under which directors, officers, consultants and employees are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued and outstanding shares. Options granted under the current stock option plan generally have a term of five years but may not exceed five years and vest over 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(s) upon which the Company's common shares are then listed.

All outstanding warrants are expired as of April 30, 2016.

A summary of the status of the Company's stock option plan for the nine months ended April 30, 2016 and April 30, 2015 as follows:

	April 30, 2016		**April 30, 2015**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	361,520	$ 7.04	451,931	$ 13.00
Granted	32,000	1.90	62,078	4.50
Exercised	-	-	-	-
Forfeited	(71,344)	9.37	(103,229)	9.50
Expired	-	-	(105,195)	20.50
Outstanding, end of period	322,176	$ 6.02	305,585	$ 9.50
Exercisable, end of period	159,424	$ 8.46	226,182	$ 11.00

(b) For the nine month period ended April 30, 2016, 105,462 DSU's were declared and accrued to non-executive directors with a value of $200,000. The fair value at April 30, 2016 was $290,021.

	Number of DSU's	**Value**
Balance, beginning	-	$ -
Granted during the period	105,462	200,000
Fair value change	-	90,021
Balance, end of period	105,462	$ 290,021

(Prepared in Canadian dollars)

6. Commitments

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

The Company has an obligation to pay a rebate to a certain customer based on future gross revenues (note 3).

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

Fiscal 2016	67,655
Fiscal 2017	280,644
Fiscal 2018	145,333
	$ 493,632

7. 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 consolidated interim 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, deposits, accounts payables and accrued liabilities and rebate provision approximate fair value due to the short term nature of those instruments.

(c) Credit risk

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

The Company monitors its general allowance policy on accounts receivable on a regular basis. As at April 30, 2016, the Company had $429,353 (2015 - $536,190) of trade accounts receivables. Of this amount, $113,086 are over 60 days (2015 - $280,544), which is past due under the Company's normal credit terms. Of this amount, $20,000 has been allowed for. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the fair value of accounts receivable on the condensed consolidated interim statement of financial position shown net of the allowance for doubtful accounts of $20,000.

Credit risk also exists in cash as all balances are maintained with two financial institutions. We believe the risk is mitigated because the financial institutions are major Canadian and U.S. banks.

(d) Liquidity risk

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

	Accounts payable and accrued liabilities	Rebate provision	Total
Within one year	$ 695,192	$ 496,426	$ 1,191,618
2 - 5 years	-	300,158	300,158
Total	$ 695,192	$ 796,584	$ 1,491,776

(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 market prices. 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 $2,471,462 in revenue for the nine month period ended April 30, 2016 (F2015 - $2,986,128) which was denominated in U.S. dollars. The Company had $292,846 (F2015 - $264,007) in U.S. accrued and accounts receivable and $2,619,980 (F2015 - $2,929,044) in a U.S. bank account at April 30, 2016.

Included in accounts payable and accrued liabilities and deferred revenue are $69,585 (F2015- $128,321) and $20,131 (F2015- $87,829) denominated in U.S. dollars, respectively.

A 1% increase or decrease in foreign exchange rates would have an approximate impact of $34,000 on Comprehensive loss for the nine month period ended April 30, 2016.

(f) Capital management

The Company includes as capital, shareholders' equity which is comprised of share capital and warrants, contributed surplus, accumulated other comprehensive income and accumulated deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Company does not currently have net positive cash flow from operations, the Company is also funding operations from funds previously raised through equity financing. The Company raised net proceeds of $2,738,384 through a bought deal private placement (note 4) to fund working capital. 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 is not subject to externally imposed capital requirements. There has been no change to the Company's capital management philosophy during the period ended April 30, 2016. See going concern (note 1).

(Prepared in Canadian dollars)

8. 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 April 30 2016	2015	Nine months ended April 30 2016	2015
Canada	$ 1,364,833	$ 1,441,676	$ 4,280,536	$ 4,603,199
U.S.	1,038,481	1,199,221	3,308,623	3,492,426
	$ 2,403,314	$ 2,640,897	$ 7,589,159	$ 8,095,625

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

9 Related party transactions

Key management personnel include the President and Chief Executive Officer & Chief Financial Officer. As at April 30, 2016 there is an $810,000 commitment (July 31, 2015 – $810,000) relating to change of control or termination of employment of the key management personnel.

During the nine months ended April 30, 2016:

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