



Dear Shareholders,

It seems like just yesterday that we were getting together to discuss the F2015 year end and Q4 results. The contents of the F2015 Management Discussion and Analysis ("MD&A") and the information I shared with each of you during the conference call for the F2015 results explained in detail the actions I have taken as the new CEO and I had asked that you stand by to witness the actual results of these decisions as they materialize over fiscal 2016. The Q1 F2016 is a testament to the actions taken and the results to the bottom line. I think everyone will be as excited to see the results as we are sharing them.

As previously stated, and as you can now witness by the enclosed financial update, we have made significant progress against our goal of reducing cost. Our new run rate reduces overall expenses by an estimated \$4M annually.

The Company took an important first step in fiscal 2015, reducing staffing costs to be more in line with revenue. This step was simply the beginning. The Company continues to make progress on further reducing costs by identifying areas of inefficiencies and investing in our own back office automation. One of these automation improvements is redeploying our CRM tool in order to receive maximum value from this tool. Working closely with our vendor is key to the process and has highlighted annual cost reduction possibilities. Similar steps are being taken with our Cloud hosting provider and the license fees that we pay to our software vendors.

Last quarter we began retooling our commercial pricing model and have come up with a hybrid model that creates greater alignment between what suppliers and buyers pay. We have been successful in negotiating new terms at increased rates with several of our buyer customers who were early adopters. This is validation of the value these customers are seeing in their internal process improvements and corresponding cost savings. More than anything, this is a testament to our continued partnership with our customers and the success our customers are having with reducing their own costs by using the Cortex Trading Partner Network ("CTPN" or "Network").

I also made reference to the hard work being done to improve the relationships with our network of workflow partners; including expansion into new verticals, which was not previously as successful as it could have been. The investment in a dedicated Business Development Executive whose focus is on our partner channel has resulted in an increased pipeline from our existing channel partners. With the solidifying of these relationships, our clients receive better customer service from our partners, additional value add from the product bundles and a lower cost to implement. Even with the reduction in the size of our sales team, the number of potential new customers remains steady, giving our remaining sales staff a full sales pipeline of leads to work on with our channel partners.

It's an exciting time to be involved with Cortex. I am proud of the results that we have achieved together in a very short time. I can feel the momentum building across our customers, our staff, our partners and our shareholders.

I look forward to seeing everyone at the AGM in January, until then I wish you all a safe and joyous Holiday season.

Sincerely,

Joel Leetzow
Cortex President and CEO



CORTEX BUSINESS SOLUTIONS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTERS ENDED OCTOBER 31, 2015 AND 2014

DATED: December 7, 2015



MANAGEMENT'S DISCUSSION & ANALYSIS

For the quarters ended October 31, 2015 and 2014

The following management's discussion and analysis ("MD&A") should be read in conjunction with Cortex Business Solutions Inc. ("Cortex" or the "Company") condensed consolidated interim financial statements, as at and for the quarter ended October 31, 2015. The accompanying financial statements of Cortex have been prepared by management and approved by the Company's Board of Directors. The financial data presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are expressed in Canadian dollars, unless otherwise stated. This disclosure is effective as of December 7, 2015.

The MD&A and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Additional information is also available on the Company's website at www.cortex.net.

Forward Looking Statements

Statements in this MD&A relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements may involve known and unknown risks and uncertainties, which may cause the actual results, performances or achievements of the Company, to be materially different from any future results implied by such forward-looking statements. Forward-looking statements are often, but not exclusively identified by words such as "anticipate", "may", "expect", "plan", "future", "continue", "intends", "projects", "believes", "seek", "budget", "estimate", "forecast", "will", "predict", "potential", "target", "could", "might", and other similar expressions. Some of the risks that may cause actual results to vary are described under the "Business Risks and Uncertainties" section. It is important to note that:

- Unless otherwise indicated, forward-looking statements describe our expectations, as of the date of management's discussion and analysis;*
- Readers should be cautioned not to place undue reliance on forward-looking statements, as our actual results may differ materially from our expectations, if known and unknown risks or uncertainties affect our business, or if our estimates or assumptions prove inaccurate. Therefore, we cannot provide any assurance that forward-looking statements will materialize, and;*
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason unless required by applicable securities laws.*

Non-GAAP Financial Measures

The Company reports its financial results in accordance with Canadian GAAP. However, the MD&A contains references to non-GAAP financial measures such as Baseline revenue (access and usage fees revenue plus integration and set-up fees revenue and EBITDA (Earnings before interest, taxes, depreciation, and amortization)). A reconciliation of revenue can be performed by subtracting project management fees from total revenue reported on the Company's condensed consolidated interim statement of loss and comprehensive loss. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

These non-GAAP financial measures have been included in this MD&A as they are measures which management uses to assist in evaluating the Company's operating performance against its expectations and against other companies in similar industries. Management believes that non-GAAP financial measures assist in identifying underlying operating trends.



OVERVIEW

Cortex is a leading online network that helps companies connect and interact with each other to transmit documents to grow their businesses through the augmented exchange of documents. The Cortex Network provides a simplified document exchange process for industries with complicated procurement practices.

Our simplified model continues to prove out both sides of the automation coin and has received positive feedback from organizations utilizing these services. In addition, we continue to work on product development to assist customers with secondary services to further enhance their automation experience.

Since our inception in 1999, we have established ourselves as a dependable partner for customers in our traditional market of oil & gas, as well as emerging markets such as mining, waste management, construction and sports & entertainment. Each of these markets shares a common denominator of having complex procurement cycles, supported by costly, manual processes, which can be aided with our vertically agnostic system.

With the number of companies looking to implement an electronic solution, there remains a large untapped market. Those same companies cite a lack of supplier adoption as a barrier to moving to an electronic solution, which is where Cortex provides value. A key strength of our offering is the high level of on-boarding support offered to new customers joining the network.

To better support our customers, we have clearly defined the groups responsible for each stage of a customer's life cycle. As part of this customer centric focus, each group has a distinct role to play; Sales offers a collaborative approach in assisting the customers in signing up for access to the Network, while Professional Services supports new customers throughout their on-boarding with support and training initiatives, and Client Success works with the customers post deployment to ensure they are maximizing their value on the Network. This clearly defined framework reinforces our differentiating service offering by providing unparalleled support.

Our recent focus on right sizing the business resulted in considerable cost savings to the Company, with no negative impact on our ability to serve existing customers. After careful review, we strengthened our leadership structure by consolidating the base of operations and the senior management team to our headquarters located in Calgary, Alberta. In addition to this consolidation activity, we made the difficult decision to remove certain individuals from the Company in an effort to reduce our recurring costs, whilst maintaining operational capabilities.

Increasing revenues through effective pipeline management is one of our highest organizational priorities. By focusing our efforts on holistic sales approach to new and existing prospects we can show customers the extent of the value we can bring to their current situation.



OPERATIONAL HIGHLIGHTS

During the three month ended October 31, 2015 there were some significant developments highlighted below:

- The cash used in operating activities improved 86% to \$138,521 from \$1,004,797.
- The Company's revenue has remained consistent in comparison to the three months ended October 31, 2014; despite lower billable transaction volumes. This highlights the value additional buying organizations and related suppliers bring to overall revenue stability and growth.
- During fiscal 2015 the Company made changes to the organization which were expected to result in material cost savings. Q1 F2016 was the first quarter to fully realize these cost savings, resulting in overall costs being reduced by 25%, or \$1,153,551.
- The maintenance of revenue combined with cost savings initiatives resulted in a 31% improvement to gross profit. The gross profit in Q1 F2015 was 35% of total revenue and in Q1 F2016 46% of total revenue.
- The Company raised \$2,738,384 in the quarter through a bought deal private placement of 1,551,375 common shares.

The following table sets forth a summary of key results of operations as at and for the quarters ended October 31, 2015 and October 31, 2014.

	Q1 F2016	Q1 F2015	% Change
Baseline revenue	\$2,614,349	\$2,572,804	2%
Project management fee revenue	\$12,923	\$58,843	(78%)
Cost of Sales	\$1,412,546	\$1,703,786	(17%)
Gross Profit	\$1,214,726	\$927,861	31%
Total other ⁽¹⁾ expenses	\$2,008,346	\$2,870,657	(30%)
Loss before finance income (expense)	\$(793,620)	\$(1,942,796)	(59%)
Earnings (loss) per share	\$(0.10)	\$(0.27)	(67%)
EBITDA ⁽²⁾	\$(268,159)	\$(1,346,272)	(80%)
Net cash used in operating activities	\$(138,521)	\$(1,004,797)	(86%)
Total assets	\$9,376,200	\$13,309,012	(31%)
Deferred revenue	\$224,116	\$247,052	(9%)
Total long-term financial liabilities	\$172,320	\$762,382	(77%)

(1) Other expenses include; sales and marketing; research and development, general and administrative and severance and termination charges.

(2) Non-GAAP measure as defined on page 2.



EBITDA

Earnings before interest, tax, depreciation and amortization is reconciled to Loss before finance income below:

	Q1 F2016	Q1 F2015
Loss before finance income	\$(793,620)	\$(1,942,796)
Amortization	460,300	458,539
Stock option expense	65,161	137,985
EBITDA	\$(268,159)	\$(1,346,272)

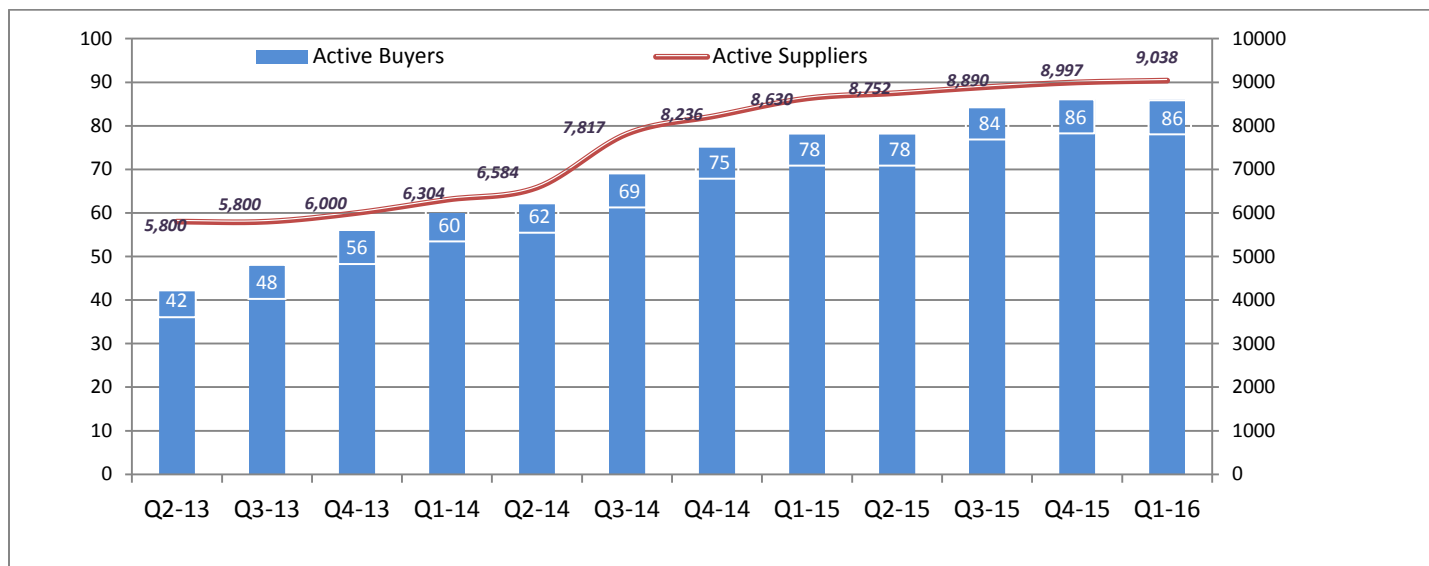
As the Company continues to strive towards profitability and positive cashflow, the trends from EBITDA are helpful in analyzing how close the Company is getting and what next steps are required to continue to expedite the road to profitability. Other important metrics to review are the operational metrics.

The table below highlights key operational metrics. During Q1 F2016, the Company signed three buying organizations; two in Canada and one in the United States. The Company's revenue stream shows growth as the buying organizations move from the "in progress" to "completed" stage. During Q1 F2016, two organizations moved into the completed stage while two others were decommissioned; one due to an acquisition and the other was an old solution which has been decommissioned. Once the buying organizations are live, their suppliers start to be on-boarded to the Network and there is an increase in active suppliers resulting in recurring access and usage stream revenue growth.

Quarterly	Fiscal 2016		Fiscal 2015							
	Q1		Q4		Q3		Q2		Q1	
	#	% Change	#	% Change	#	% Change	#	% Change	#	% Change
Buyer Integrations Completed	86	Nil	86	2%	84	8%	78	0%	78	4%
In progress	8		7		3		8		5	
Total	94	1%	93	7%	87	1%	86	4%	83	-7%
Billable Transactions	1,196,362	3%	1,166,258	(5%)	1,221,999	(14%)	1,423,818	(3%)	1,474,650	25%
Total Documents exchanged	3,109,103	2%	3,054,263	(9%)	3,355,769	(14%)	3,915,442	(3%)	4,021,739	23%



The translation of the information in the above operational table into the graph below highlights the trending of active suppliers compared to active buyers on the Network. The more active buyers and suppliers on the Network, the higher the transaction volumes and eventual increase in recurring revenue.



QUARTERLY INFORMATION

The below table highlight the results of the Company over the preceding eight quarters.

	Total Revenue	Access & Usage Fees Revenue	Net Loss	Basic Loss Per Share
F2016				
Quarter One	\$2,627,272	\$2,516,293	\$(809,135)	\$(0.10)
F2015				
Quarter Four	\$2,491,329	\$2,324,102	\$(2,036,070)	\$(0.27)
Quarter Three	\$2,640,897	\$2,452,310	\$(1,674,220)	\$(0.23)
Quarter Two	\$2,823,082	\$2,506,230	\$(2,281,109)	\$(0.31)
Quarter One	\$2,631,647	\$2,430,228	\$(1,934,399)	\$(0.27)
F2014				
Quarter Four	\$2,812,040	\$2,117,717	\$(1,619,615)	\$(0.27)
Quarter Three	\$2,390,652	\$2,070,174	\$(1,613,556)	\$(0.24)
Quarter Two	\$1,984,069	\$1,829,303	\$(1,189,990)	\$(0.23)



The Company monitors the cyclical nature of its business in alignment with the Energy sector the Company has historically derived the majority of its revenue from. This sector typically has declines in activity during their "spring break-up". The timing of spring break-up can vary year to year however; it falls within the late spring, early summer timeline. For Cortex, this timing aligns to our third and fourth quarters. As the Company continues diversification into other verticals while maintaining our position within the Energy sector, this will assist the Company in mitigating the effect of seasonality in the Energy sector.

QUARTERLY REVENUE

The Company's revenue breakdown by significant types of revenue is as follows:

	Q1 F2016	Q1 F2015	% Change
Access and usage	\$ 2,516,293	\$ 2,430,228	4%
Integration and set up	\$ 98,056	\$ 142,576	(31%)
Project management	\$ 12,923	\$ 58,843	(78%)
	\$ 2,627,272	\$ 2,631,647	(0%)

Total revenue remained flat at \$2,627,272 for the three months ended October 31, 2015 compared to \$2,631,647 during the quarter ended October 31 2014. Although the growth was flat year over year, this was expected. The Company made conscious cost-cutting decisions; knowing these could impact revenue growth in the short term. Some of the decisions made which impacted revenue were:

- The reduction in the sales team in Q4 F2015,
- alignment of delivery and sales in the organization,
- introduction of a pricing structure; which better suits a cost sharing model,
- review of old contracts to ensure the Company was selling its value proposition and differentiator appropriately to the market, and
- the diversification out of a singular vertical. A buying organization in a new vertical has a slightly longer onboarding process as they don't have the benefit of the crossover suppliers already on the Network. As these new suppliers are on-boarded the resulting revenue and transaction growth will follow over the upcoming quarters.

Access and Usage Fees

Access and usage fees include a monthly fee for access to the Cortex Trading Partner Network ("Network") plus transaction fees which are recognized in the month the document exchange occurred.

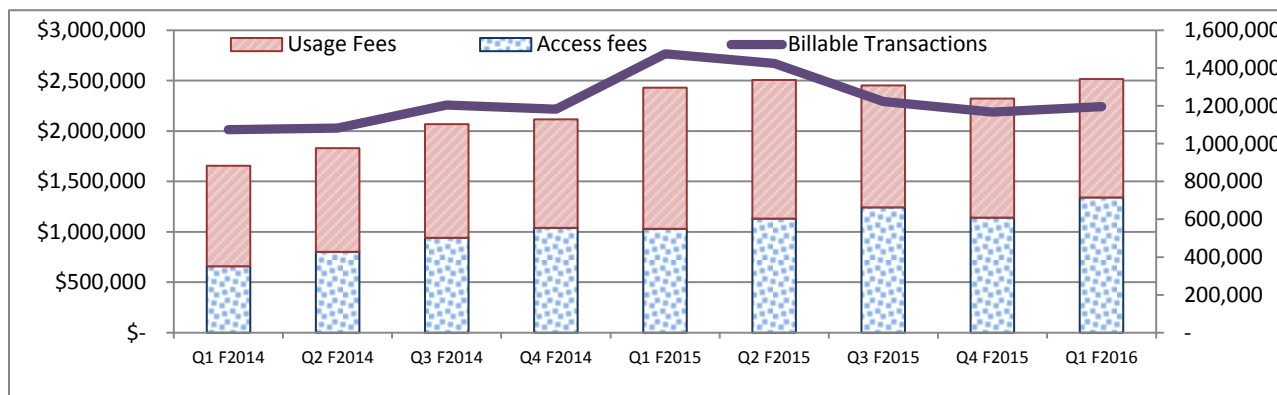
Access and usage fees revenue grew 4% Q1 F2016 over Q1 F2015. The growth of the access and usage fees revenue is a combination of buying organizations going live in the twelve month period, additional suppliers added to the Network, and additional transactions flowing through the Network as a result of combination of these factors.

As the Company continues to monitor the transactional impact of the downturn in oil and gas, the impact is apparent in the shift in revenue growth in our recurring revenue stream. The access fee growth has increased 30% Q1 F2016 over Q1 F2015 (Q1 F2016 - \$1,340,658; Q1 F2015 - \$1,031,962) while the usage fee revenue stream has decreased 16% over the same time period (Q1 F2016 - \$1,175,635; Q1 F2015 - \$1,398,266).



The graph below highlights the access and usage fee revenue fluctuations in line with billable transactions. The Company's recurring revenue stream is made of two components, a set monthly fee (access fee) and a variable fee based on billable transactions (usage fee). The movement of the usage fee will trend more closely with billable transaction variations while the access fee movement is impacted more by the number of active suppliers on the Network.

Billable transactions saw a slight recovery in Q1 F2016 over Q4 F2015 improving 3%; however declined 19% Q1 F2016 compared to Q1 F2015. The trend is also impacted by the foreign exchange fluctuation as well as transactional caps. As the graph highlights; the access fees growth has assisted in the stabilization of total revenue.



Integration and Set up Fees

Integration fees revenue is recognized over the integration project on a percentage of completion based on the stage of the project.

Set-up fee revenue is charged to suppliers for initial set up and training. This fee is deferred and recognized as revenue over a one quarter period representing the estimated term of the contract.

The integration and set-up fees revenue stream continues to fluctuate dependent on integration project timelines, completion and the number of net new suppliers joining the Network in the quarter paying the initial set-up fee.

Integration and set-up fees revenue declined Q1 F2016 over Q1 F2015 by 31%, or \$44,520 (Q1 F2016 - \$98,056; Q1 F2015 - \$142,576). This is driven primarily by a reduction in completed projects during the Q1 F2016 over Q1 2015.

Project Management Fees

Project management fees are recognized as services are performed on a time and material basis.

Project management fees decreased 78%, or \$45,920, Q1 F2016 compared to Q1 F2015. As the Company continues to move towards appropriate billing for services going forward and continues to add value to our customers through extended services, there may be an increased opportunity realized through project management fees in the upcoming quarters.



QUARTERLY EXPENSES

Total expenses were down Q1 F2016 over Q1 F2015 by 25% or \$1,153,551. The reductions management made at the close of fiscal 2015 started to be realized in Q1 F2016.

	Q1 F2016	Q1 F2015	% Change
Expenses			
<i>Cost of sales</i>	\$ 1,412,546	\$ 1,703,786	(17%)
<i>Sales and marketing</i>	\$ 348,634	\$ 963,818	(64%)
<i>Research and development costs</i>	\$ 585,703	\$ 576,507	2%
<i>General and administrative</i>	\$ 1,017,901	\$ 1,330,332	(23%)
<i>Severance and termination charges</i>	\$ 56,108	\$ -	100%
	\$ 3,420,892	\$ 4,574,443	(25%)

The details of these movements for the quarters are highlighted below.

Cost of Sales & Gross Profit

Cost of sales, as reported, decreased 17% Q1 F2016 over Q1 F2015 and cost of sales, net of amortization, decreased 23% over the same periods. This resulted in gross profit, as reported, improving to 46% of total revenue, an increase of 31% and gross profit, net of amortization improving to 63% of total revenue, an improvement of 21%.

Cost of Sales includes costs directly related to recognized revenue in the period. This includes delivery salaries, customer on boarding and support salaries, amortization of intangible assets, third party costs, credit card fees and related administrative costs of the individuals in these departments.

The Company has broken out cost of sales, net of amortization, as it improves the comparability of cost of sales on an annualized basis. After the amortization of the intangible ends after F2016, it will give a more meaningful comparison for subsequent years on how the Company is controlling the costs in this line item.

	Q1 F2016	Q1 F2015	% Change
Total Revenue	\$ 2,627,272	\$ 2,631,647	(0%)
Cost of Sales, as reported	\$ 1,412,546	\$ 1,703,786	(17%)
As a percentage of revenue	54%	65%	
Gross Profit, as reported	\$ 1,214,726	\$ 927,861	31%
As a percentage of revenue	46%	35%	
Cost of Sales as reported	\$ 1,412,546	\$ 1,703,786	(17%)
Amortization	\$ 430,229	\$ 430,876	(0%)
Cost of Sales, net of amortization	\$ 982,317	\$ 1,272,910	(23%)
As a percentage of revenue	37%	48%	
Gross Profit, net of amortization	\$ 1,644,955	\$ 1,358,737	21%
Gross profit %	63%	52%	



Although not impacted to the same degree as the sales organization with the Company reorganization in fiscal 2015, the salaries included in cost of sales was the largest reduction quarter over quarter. Salaries, and related benefits, decreased 33% or \$312,612 Q1 F2016 over Q1 F2015, (Q1 F2016 - \$647,722; Q1 F2015 - \$960,334). The reduction in head count in the cost of sales related departments included streamlining the delivery organization to be unified across both Canada and U.S.

The partner commission remained flat Q1 F2016 over Q1 F2015 as the sales made in Q4 F2015 and Q1 F2016, were not made in conjunction with the partners to which these amounts are paid. As the new Partner Relationship Executive continues to refine the relationships with partners build on the shared pipeline, there is an expectation for this line item to grow with increased sales opportunities. This improved relationship and support of our partners, has already materialized into increased sales leads.

The combination of the cost savings realized in the quarter and the flat revenue growth resulted in the 31% improvement in the gross profit Q1 F2016 over Q1 F2015. The majority of the cost of sales expenditures are fixed in nature allowing the Company to increase revenue without a similar growth in costs; resulting in continued improvement in the gross profit.

Sales and Marketing

Sales and marketing in Q1 F2016 declined 64% compared to Q1 F2015. This was a reduction of \$615,184.

	Q1 F2016	Q1 F2015	% Change
Sales and marketing	\$ 348,634	\$ 963,818	(64%)
As a percentage of revenue	13%	37%	

Sales and Marketing expenses consists primarily of salaries and related expenses for our sales and marketing staff. This includes, sales commissions on sales which are paid out in the period, a proportionate allocation of corporate expenses, including rent, repairs, maintenance, infrastructure costs and stock option expenses.

As previously discussed, one of the main areas of focus in the restructuring of the organization was in the sales organization. Management removed middle level management and focused on re-defining our value proposition and go to market strategy in Q1 F2016. This reduction in costs, seen in Q1 F2016, is the direct result of these reductions in Q4 F2015. The reduction in salaries and related expensed was 77% or \$471,480, (Q1 F2016 - \$258,514; Q1 F2015 - \$729,994).

Management is encouraged by the renewed strength of the relationships with our existing workflow partners and the pipeline they are bringing to the sales organization. The commission and rewards programs declined Q1 F2016 over Q1 F2015 by 71% or \$67,768. As the pipeline continues to drive sales, this number is anticipated to grow. The Company has revamped its price book to better align the pricing structure to a true cost sharing structure between buyers and suppliers. The commission structure has also been re-aligned and will be executed in Q2 F2016.

With the reduced sales team, the reduction in travel and related expenses of 75%, or \$27,628 was also anticipated. The sales organization will focus on where the sales opportunities are and the travel expenses may increase depending on new partners and the resulting pipeline.



Research and Development

Research and development increased 2% Q1 F2016 over Q1 F2015, an increase of \$9,196.

	Q1 F2016	Q1 F2015	% Change
Research and development	\$ 585,703	\$ 576,507	2%
As a percentage of revenue	22%	22%	

Research and Development expenses include the costs of our development resources and related expenses, quality assurance salaries, related expenses and a proportionate allocation of rent and stock option expense.

This area was flat Q1 F2016 over Q1 F2015 as there were no material changes in the research and development team, until the end of October. As previously discussed, an additional development team was put in place during fiscal 2015 in order to develop specific projects. As these projects were completed, the Company restructured the research and development team to align with the updated development philosophy and new team structure. There were associated termination and severance charges, as highlighted in the sections below. The cost savings as a result of these changes will begin to materialize in Q2 F2016.

General and Administrative

General and administrative expense decreased 23%, or \$312,431, Q1 F2016 over Q1 F2015.

	Q1 F2016	Q1 F2015	% Change
General and administrative	\$ 1,017,901	\$ 1,330,332	(23%)
As a percentage of revenue	39%	51%	

The cost reductions that occurred in F2015 included ensuring the Company has the best suited individuals in each of the roles. Historically, some of the staffing was contracted out as a short term solution. Contracted positions are not always the most cost efficient, nor do they allow for retention of knowledge. The contractor expense included in general and administrative expenses were down \$104,983 or 70% Q1 F2016 over Q1 F2015. Fiscal 2015 saw significant turnover and as a result, the management team at the time chose contract positions over permanent positions. This is not the current strategy and as a result, there were some cost savings.

Included in General and Administrative expenses is the Board of Directors compensation. There was a change in fiscal 2016 over 2015 away from stock options to Deferred Share Units ("DSU") for the non-management board members in order to better align the interests of the board of directors with that of shareholders. Deferred Share Units are expensed when approved. The result is the combined board compensation for Q1 F2016 increased \$200,778, or 876%. These units are only paid out upon cessation of services of the board member and does not impact cash in the current quarter.

One of the cost savings carried out in fiscal 2015 was bringing the investor relation functions 100% in-house. As a result of this change, the investor relations costs reduced \$60,353 or 98% Q1 F2016 over Q1 F2015.



Severance and Termination charges

Severance and termination charges increased 100% Q1 F2016 over Q1 F2015.

	Q1 F2016	Q1 F2015	% Change
Severance and termination charges	\$ 56,108	\$ -	100%
As a percentage of revenue	2%	0%	

The severance and termination charges which occurred in Q1 F2016 were the result of additional staff reductions at the end of October 2015.

Net Loss Q1 F2016

The Company's net loss for the quarter ended October 31, 2015 improved 58% to \$809,135 (Q1 F2015 - \$1,934,399). This represents the lowest quarterly net loss the Company has achieved in over 5 years.

This significant items impacting net loss were:

- The impact of the cost reductions made in the latter part of fiscal 2015;
- additional severance and termination charges in the quarter with the reorganization of the development team;
- bringing the investor relation function in-house; and
- streamlining of the sales organization which has resulted in expected Q1 net new contracted sales reductions.

Income Taxes

For the quarter ended October 31, 2015, the Company is not cash taxable in Canada, however will be subject to a minimum tax in the US for the fiscal year. At July 31, 2015, the Company has approximately \$53.3million of non-capital losses to carry forward to reduce future year's taxable income.

Rebate Provision

Cortex Business Solutions has increased its rebate provision in the first quarter of fiscal 2016 by \$4,830 (Q1 F2015 - \$7,987). This is the result of accretion expense recorded in the quarter. The payment for the rebate is on an annualized basis (July of each calendar year). (Total rebate provision; Q1 F2016 - \$777,594; July 31, 2015 - \$772,764).

Share Capital

Cortex Business Solutions Inc. issued 1,551,375 common shares during Q1 F2016 compared to no issuances during the Q1 F2015. The 1,551,375 common shares issued during Q1 F2015 were issued as part of a bought deal private placement for net proceeds of \$2,738,384. In conjunction with the issuance there were 93,083 brokers units issued with a fair value of \$101,222.

There was no exercise of Compensation Units or warrants during Q1 F2016 or Q1 F2015.

The number of common shares issued and outstanding at October 31, 2015 and December 7, 2015 is 8,977,724.



Liquidity and Capital Resources

At October 31, 2015, Cortex Business Solutions Inc. held \$6,630,951 in cash and \$60,000 in short-term investments, compared to \$3,986,950 and \$60,000, respectively, at July 31, 2015. The Company had trade accounts receivable of \$323,492 at October 31, 2015 compared to trade accounts receivable of \$407,899 at July 31, 2015. The Company continues to maintain a diligent collections regime. None of the accounts receivables are under dispute however, the Company has set up \$20,000 as an allowance for doubtful accounts at October 31, 2015.

The Company has a current working capital of \$5,728,770 compared to \$3,138,608 at July 31, 2015. The improvement in the working capital can be attributed mostly to the cash increase as a result of the private placement in the quarter; adding \$2,738,384 to the Company's cash position.

The below table highlights the Company's current commitments:

	2016	2017
Accounts payable and accrued liabilities	\$993,863	Nil
Deferred revenue	\$224,116	Nil
Rebate provision	\$605,274	\$191,310
Income tax provision	\$70,461	Nil

Cash used in operating activities was \$138,521 in Q1 F2016 compared to \$1,004,797 in Q1 F2015. The significant improvement in the cash utilized in operating activities was the combined result of maintaining revenue while realizing the benefits of the reductions in fiscal 2015. The Company reduced the cash used in operating activities 86% compared to same quarter last year.

During the quarter ended October 31, 2015 the Company used \$1,189 to purchase property and equipment compared to \$4,233 during the quarter ended October 31, 2014.

The Company operates a stock option plan as approved by the shareholders at the 2014 Annual General Meeting on June 24, 2015. Under this plan, 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 common shares of the Company. 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 3 year period. The stock options granted under a previous stock option plan had vesting periods ranging from immediate vesting upon grant to 3 years. 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.

The number of outstanding stock options at October 31, 2015 was 351,414 and at October 31, 2014, 450,232 with a weighted average exercise price of \$6.22 and \$12.84 respectively. The amounts exercisable for the same periods were 162,624 and 348,001, respectively, with a weighted average exercise price of \$8.92 and \$14.27 respectively. At December 7, 2015 there were 162,477 stock options exercisable and 351,194 stock options outstanding.



At October 31, 2015 and December 7, 2015 there were 447,580, warrants outstanding at a weighted average exercise prices of \$11.56. At October 31, 2015 and December 7, 2015 there were 213,083 Compensation Options/Units outstanding with a weighted average exercise price of \$3.69 per Compensation Option/Unit.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (note 2(a)) on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has reported net losses for the quarter ended October 31, 2015 of \$809,135 and the year ended July 31, 2015 of \$7,925,798; negative cash flow from operations of \$138,521 for the quarter ended October 31, 2015 and \$6,045,306 for the year ended July 31, 2015. The Company has a cumulative deficit of \$62,585,653 as at October 31, 2015. The ability of the Company to continue as a going concern is dependent upon future profitable operations. There is uncertainty about the period when the Company can 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 October 31, 2015 is \$6,630,951. 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 till 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 quarter ended October 31, 2015 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 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.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Should the Company not be able to continue as a going concern, adjustments to the recorded amounts and classifications of assets, liabilities and expenses would be required.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Obligations

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

The Company has an obligation to pay a rebate to a customer based on future gross revenues.

The Company's total minimum annual obligations, excluding rebate provision as follows: 2016 - \$206,466; 2017 - \$280,644 and 2018 - \$145,334.



Transaction with Related Parties

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.

Business Risks and Uncertainties

Material risk factors that could cause our actual results to differ materially from the forward-looking statements contained herein include: dependence on key personnel; risks related to expansion of our business operations – domestically and internationally; current global economic downturn; exchange rate fluctuations; risks related to future acquisitions; requirements for additional financing for our business and any future acquisitions; credit terms extended to our customers; possible volatility of our share price; product and geographic concentration in conjunction with the limited range of services that we provide; our historical dependence on a small number of large customers; our ability to protect our intellectual property; our potential vulnerability to computer and information systems security breaches; competition from third parties; rapid technological change; risk of third party claims for infringement of intellectual property rights by others; and risks related to technical standards and the certification of our services.

The material business risks and uncertainties are described in greater detail in the Company's Short-Form Prospectus filed on February 21, 2014 and its Annual Information form as filed on November 27, 2014. These documents can be found on the SEDAR website www.sedar.com.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Impairment for intangible assets not available for use is required to be tested for recoverability on an annual basis. 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 assets have been recorded for the quarter ended October 31, 2015 or the quarter ended October 31, 2014.

Useful life of property and equipment and intangible assets

Property and equipment and intangible assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year.



Rebate provision

Rebate provision is calculated using a risk free discount rate on the risk-adjusted future gross revenues the Company expects to earn. Changes in the estimated amounts and timing of future revenues to be earned could significantly increase or decrease the amount of accretion expense recorded during the period and the rebate provision recorded on the consolidated statements of financial position.

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 awards and warrants issued including future volatility of the Company's share price, expected forfeiture rates, expected lives of the underlying securities, expected dividends and other relevant assumptions. Critical judgments in applying accounting policies

In the preparation of the condensed 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 financial statements.

Capitalized software development costs

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 market the software and has adequate resources expected to be available to complete the project. Management is required to make judgments on when the criteria for recognition as intangible assets is met. During the quarters ended October 31, 2015 and 2014 no amounts were capitalized as an intangible asset.

Income tax

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized. At October 31, 2015, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable and, as such, has not recognized any deferred income tax assets in the consolidated statement of financial position.

In addition, the measurement of any potential income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.



Changes in accounting policies

Recent accounting policies and new pronouncements

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

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 consolidated financial statements. The standard is effective for the first interim period within years beginning on or after January 1, 2018.

"Joel Leetzow" (signed)

President and CEO

"Sandra L. Weiler" (signed)

CFO



Connect. Interact.
Transmit. Grow.