Cortex Business Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position

(Prepared in Canadian dollars)

	October 31 2016	July 31 2016
Assets		
Current assets		
Cash	$ 5,574,766	$ 5,621,835
Short-term investments	60,000	60,000
Accounts receivable (note 9(c))	854,150	866,142
Prepaid expenses	225,897	145,823
	6,714,813	6,693,800
Long term receivables (note 3)	26,457	-
Deposits	35,061	35,061
Property and equipment	271,152	292,791
Intangible assets	39,666	42,882
	$ 7,087,149	$ 7,064,534
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,041,920	$ 1,086,380
Deferred revenue	49,818	46,854
Rebate provision (note 4)	296,298	294,145
Current tax provision	65,449	59,647
	1,453,485	1,487,026
Shareholders' Equity		
Share capital (note 5)	60,291,515	60,291,515
Accumulated other comprehensive income	713,609	640,232
Contributed surplus	9,202,514	9,126,948
Deficit	(64,573,974)	(64,481,187)
	5,633,664	5,577,508
	$ 7,087,149	$ 7,064,534

Going concern (note 1)
Commitments (note 7)
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 months ended October 31, 2016 and 2015

(Prepared in Canadian dollars)

	Three months ended October 31 2016	2015
Revenue		
Access and usage fees	$ 2,337,660	$ 2,516,293
Integration and set-up fees	18,124	98,056
Project management and other revenue	113,284	12,923
	2,469,068	2,627,272
Cost of Sales	823,538	1,412,546
Gross Profit	1,645,530	1,214,726
Expenses		
Sales and marketing	459,909	348,634
Research and development	440,531	585,703
General and administrative	801,857	1,017,901
Severance and termination charges	21,388	56,108
	1,723,685	2,008,346
Loss before finance expense and income taxes	(78,155)	(793,620)
Finance income (expense)	9	(2,536)
Income tax expense	(14,641)	(12,979)
Net loss	$ (92,787)	$ (809,135)
Other comprehensive earnings		
Items that may be reclassified subsequently to net loss:		
Foreign exchange gain on foreign operations	73,377	41,879
Comprehensive loss	$ (19,410)	$ (767,256)
Net loss per share - basic and diluted (note 5(d))	$ (0.01)	$ (0.10)

Going concern (note 1)
See accompanying notes

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(Prepared in Canadian dollars)
(unaudited)

	Number of Common Shares	Share Capital	Number of Warrants	Warrants Value	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance - July 31, 2015	7,426,349	$ 57,640,393	447,580	$ 980,941	$ 7,848,559	$ 580,502	$ (61,776,518)	$ 5,273,877
Net loss	-	-	-	-	-	-	(809,135)	(809,135)
Issued during the period	1,551,375	3,102,750	-	-	-	-	-	3,102,750
Issuance cost	-	(364,366)	-	-	-	-	-	(364,366)
Translation of foreign operations	-	-	-	-	-	41,879	-	41,879
Stock based compensation	-	-	-	-	65,161	-	-	65,161
Compensation units issued in conjunction with private placement	-	(101,222)	-	-	101,222	-	-	-
Balance - October 31, 2015	8,977,724	60,277,555	447,580	980,941	8,014,942	622,381	(62,585,653)	7,310,166
Balance - July 31, 2016	8,984,704	60,291,515	-	-	9,126,948	640,232	(64,481,187)	5,577,508
Net loss	-	-	-	-	-	-	(92,787)	(92,787)
Translation of foreign operations	-	-	-	-	-	73,377	-	73,377
Stock based compensation	-	-	-	-	75,566	-	-	75,566
Balance - October 31, 2016	8,984,704	$ 60,291,515	-	$ -	$ 9,202,514	$ 713,609	$ (64,573,974)	$ 5,633,664

See accompanying notes

Cortex Business Solutions Inc.

Condensed Consolidated Interim Statement of Cash Flows

For the three months ended October 31, 2016 and 2015

(Prepared in Canadian dollars)
(unaudited)

	For the three months ended October 31 2016	2015
Cash provided by (used in)		
Operating activities		
Net loss	$ (92,787)	$ (809,135)
Items not affecting cash		
Stock-based compensation	75,566	65,161
Amortization	24,855	460,300
Accretion on rebate provision	2,153	4,830
	9,787	(278,844)
Changes in non-cash working capital	(136,035)	140,323
Net cash used in operating activities	(126,248)	(138,521)
Financing activity		
Proceeds from issuance of shares	-	3,102,750
Share issuance costs	-	(364,366)
Net cash provided by financing activities	-	2,738,384
Investing activities		
Acquisition of property and equipment	-	(1,189)
Net cash used in investing activities	-	(1,189)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	79,179	45,327
Cash (outflow) inflow	(47,069)	2,644,001
Cash, beginning of period	5,621,835	3,986,950
Cash, end of period	$ 5,574,766	$ 6,630,951

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 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 three months ended October 31, 2016 and the year ended July 31, 2016 of $92,787 and $2,704,669; negative cash flow from operations of $126,248 and $138,521 for the three months ended October 31, 2016 and October 31, 2015, respectively and has a cumulative deficit of $64,573,974 as at October 31, 2016 (July 31, 2016- $64,481,187). The Company must also maintain sufficient funding for its existing commitments (note 7). The ability of the Company to continue as a going concern is dependent upon future profitable operations. Although the Company is currently diversifying into other industries, the Company's customers are primarily in the oil and gas industry which is currently experienceing a major slow down. This is a key factor impacting the Company's ability to maintain and grow its revenue and cash flow. There is uncertainty about the period 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 October 31, 2016 is $5,574,766. 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 significant narrowing of the net loss and negative cash flow from operations for the period ended October 31, 2016 are positive signs that the Company is taking the necessary measures to continue as a going concern. 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 December 6, 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, 2016 with the addition of the below accounting policies. 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, 2016.

(b) New accounting policies and recent pronouncements

New Accounting Policies

Revenue recognition

The Company's revenue includes set-up fees, integration fees, access and usage fees and project management fees.

The Company sells its solution and services on a stand-alone basis or as a multiple-element transaction with separately identifiable components, also known as a bundled transaction. Where the Company enters into an agreement involving a bundled transaction, the Company records each of the separate components at their relative fair value and recognizes the revenue on an appropriate basis for each of the separate components. A delivered element is considered a separate unit of accounting if it has value to the customer on a stand-alone basis. The Company determines the fair value of each of the components sold based on the selling price when they are sold separately. When the fair value cannot be determined based on when it was sold separately, the Company determines a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Any discounts identified are proportionately allocated to all separately identifiable components.

Set-up fee revenue is deferred and recognized as revenue over a one year period representing the estimated term of the contract.

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

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

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.

Recent accounting pronouncements

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.

(Prepared in Canadian dollars)

(b) New accounting policies and recent pronouncements (continued)

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.

3. **Long term receivables**

Long term receivables results from amounts recognized in revenue that are expected to be collected greater than twelve month from the reporting period.

4. **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.

	October 31 2016	July 31 2016
Opening balance	$ 294,145	$ 772,764
Payments	-	(494,543)
Accretion	2,153	19,225
Change in fair value estimate	-	(3,301)
Closing balance	296,298	294,145
Less: current portion	296,298	294,145
Long term portion	$ -	$ -

(Prepared in Canadian dollars)

5. **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

	Three months ended			
	October 31, 2016		October 31, 2015	
	Number	Amount	Number	Amount
Common Shares				
Balance, beginning of period	8,984,704	$ 60,291,515	7,426,349	$ 57,640,393
Issue for cash (note 5(c))	-	-	1,551,375	3,102,750
Issued in lieu of salaries and				
	8,984,704	60,291,515	8,977,724	60,743,143
Less: Share issuance costs	-	-	-	(364,366)
Less: Fair value of compensation units issued in connection with private placement	-	-	-	(101,222)
Balance, end of period	8,984,704	$ 60,291,515	8,977,724	$ 60,277,555

	October 31, 2016		October 31, 2015	
	Number	Amount	Number	Amount
Warrants				
Balance, beginning and end of period	-	$ -	447,580	$ 980,941
Balance, end of period	-	$ -	447,580	$ 980,941

(c) On September 2, 2015, the Company closed a bought deal private placement of 1,551,375 common shares at a price of $2.00 per share for net proceeds of $2,738,384. The underwriters received 93,083 broker units (consisting of 1 share) with a fair value of $101,222. These units can be exercised for $2.00 and will expire September 2, 2017. As at October 31, 2016, 6,980 units have been exercised.

(d) Net loss per share

Net loss per share has been calculated using the basic and diluted weighted average number of common shares outstanding during the three month ended October 31, 2016 of 8,984,704 and 9,299,348 respectively (Basic and diluted October 31, 2015 - 8,432,185).

(Prepared in Canadian dollars)

6. **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 3 year period. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange upon which the Company's common shares are then listed.

A summary of the status of the Company's stock option plan for the three months ended October 31, 2016 and October 31, 2015 as follows:

	October 31, 2016		**October 31, 2015**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	537,077	$ 4.47	361,520	$ 7.04
Granted	44,390	2.20	32,000	1.90
Forfeited	-	-	(42,106)	9.97
Expired	(11,000)	12.00	-	-
Outstanding, end of period	570,467	$ 4.15	351,414	$ 6.22
Exercisable, end of period	205,747	$ 6.85	162,624	$ 8.92

(b) Deferred share units

	October 31, 2016		**October 31, 2015**	
	Number of DSU's	**Value**	**Number of DSU's**	**Value**
Balance, beginning	105,462	$ 253,109	$ -	$ -
Granted during the period	-	-	105,462	200,000
Fair value change	-	28,475	-	(4,896)
Balance, end of period	105,462	$ 281,584	$ 105,462	$ 195,104

(c) The fair value of stock options granted during the period was estimated on the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	October 31, 2016	**October 31, 2015**
Expected life (years)	5	5
Risk-free interest rate (%)	0.68%	0.68%
Expected volatility (%)	80%	75%
Expected dividends ($/share)	Nil	Nil

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

A forfeiture rate of 1% was used when recording stock-based compensation for executives and directors and a forfeiture rate of 12.8% was used when recording stock-based compensation for non-insiders. This estimate is adjusted to the actual forfeiture rate.

(Prepared in Canadian dollars)

7. **Commitments**

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

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

Fiscal 2017	202,966
Fiscal 2018	145,334
	$ 348,300

8. **Related party transactions**

Key management personnel are comprised of the Company's officers. As at October 31, 2016 there is a $826,000 commitment (2015 – $810,000) relating to change of control or termination of employment of the key management personnel.

9. **Financial instruments and risk management**

(a) Risk management overview

The Company's activities expose itself to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, Cortex's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The carrying value of cash, short-term investments, accounts receivable, accounts payables and accrued liabilities and rebate provision approximate fair value due to the short term nature of those instruments. The carrying value of long-term receivables approximate fair value as the amount is discounted using a risk-adjusted discount rate.

(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 October 31, 2016, the Company had $388,726 (2015 - $358,559) of trade accounts receivables. Of this amount, $95,488 are over 60 days (2015 - $52,815), which is past due under the Company's normal credit terms. Of this amount, $20,000 has been allowed for under the Company's general allowance policy. At October 31, 2016, the Company had accrued receivable in the amount of $408,369 for services performed prior to October 31, 2016. All accounts receivable are unsecured. The Company's maximum exposure to credit risk is the carrying value of accounts receivable on the consolidated statement of financial position shown net of the allowance for doubtful accounts of $20,000.

9. Financial instruments and risk management (continued)

Credit risk also exists in cash and other receivable relating to credit card processor hold backs as all balances are maintained at major financial institutions. These risks are mitigated because the financial institutions are major Canadian and U.S. banks.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows to ensure it will have sufficient liquidity to meet its commitments and obligations as they become due. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow as well as future equity financings. See going concern (note 1).

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

	Accounts payable and accrued liabilities	Rebate provision	Total
Within one year	$ 1,041,920	$ 302,041	$ 1,343,961

(e) Market risk

Market risk is the risk that financial instruments fair values and the Company's future cash flows will fluctuate due to changes in market prices.

The Company is exposed to currency risk.

The Company is exposed to currency risk on sales in the Company's wholly-owned U.S. subsidiary denominated in U.S. dollars. The Company had $775,897 in revenue for the period ended October 31, 2016 (2015 - $880,980) which was denominated in U.S. dollars. The Company had $134,355 (2015 - $115,114) in U.S. accounts receivable, $105,497 (2015 - $144,824) in accrued usage fees, $50,000 (2015 - $50,000) of other receivables and $2,280,619 (2015 - $2,769,041) in U.S. bank accounts at October 31, 2016 denominated in U.S. dollars.

Included in accounts payable and accrued liabilities at October 31, 2016 are $128,891 (2015 - $90,823) 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 $23,000 on net loss at October 31, 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 has in place a detailed planning and budgeting process to assist in determining the funds required to ensure appropriate capital to meet its growth objectives. The Company strives to maintain sufficient capital to meet its short-term business requirements taking into account its capital commitments, planned capital expenditures and its holdings of cash. The Company may also seek future equity financings. The Company has set forth in its business plan, expected revenue and expense targets for the period ended October 31, 2016.

(Prepared in Canadian dollars)

9. Financial instruments and risk management (continued)

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 October 31, 2016.

10. **Segmented information**

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

Revenue by geographic area is as follows:

	October 31, 2016	October 31, 2015
Canada	$ 1,440,891	$ 1,468,431
U.S.	1,028,177	1,158,841
	$ 2,469,068	$ 2,627,272

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