Cortex Business Solutions Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016

DATED: December 5, 2017

Dear Shareholders,

In this first quarter of fiscal 2018, we have shared with the markets our excitement regarding the hiring of Jason Baird as Cortex's VP, Finance and CFO. The skills and experience Jason brings to the team compliment my leadership style and values very well; having a seasoned business leader with whom I can share the day-to-day operating activities of the company will allow me to spend even more time focusing on business development efforts for Cortex, both organic and through potential M&A activity.

As represented by our successful quarter-over-quarter growth of 31% in top line revenue and relatively flat cost line, Cortex's push to grow revenue and Adjusted EBITDA with our current team is working. We will continue to focus on these metrics and their improvement to drive us towards successfully continuing our revenue growth plan. Q1 fiscal 2018 continued the trend seen in the previous two quarters of positive cash flow and Adjusted EBITDA. The first quarter of fiscal 2018 has almost reached the totals achieved within the full year of fiscal 2017, which confirms the Company's strong foundation of being a profitable business in the future.

Our sales team continues to work tirelessly on increasing new revenue with the addition of three new buyers to our network this quarter. Cortex strives to bring four new buyers onto the Network every quarter in fiscal 2018. We were forced to temper that expectation for Q1 fiscal 2018 on account of delays caused by hurricane and flooding damage in our second largest commercial market, Houston. As we anticipated, and stated during our Q4 fiscal 2017 communications, our US sales efforts were affected resulting in a couple of new contract signings being pushed out 30-60 days.

The balance of the business is doing well and I am more comfortable than ever that we are prepared as a company to deliver excellent service and value to our customers along with strategically aligning with industry partners which would allow Cortex to serve an even larger ecosystem of clients.

Regards,

Joel Leetzow
Cortex President & CEO

Management's Discussion & Analysis
For the quarters ended October 31, 2017 and 2016

The following management's discussion and analysis ("MD&A") of Cortex Business Solutions Inc. ("Cortex" or the "Company") should be read in conjunction with the accompanying condensed consolidated unaudited interim financial statements and related notes for the three month period ended October 31, 2017, and with the audited consolidated financial statements and related notes for the year ended July 31, 2017 in addition to the MD&A for that period. The accompanying financial statements of Cortex have been prepared by management and approved by the Company's Audit Committee. 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 5, 2017.

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", "propose", "likely", "scheduled", "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 the MD&A.

Readers are 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 statements, whether as a result of new information, future events or any other reason unless required by applicable securities laws.

WHO WE ARE

Cortex Business Solutions is one of Canada's leading technology companies that has been providing e-invoicing solutions throughout North America for over 10 years. Cortex has annual revenue totals in excess of $11,000,000 and over 10,000 trading partners on the Cortex Trading Partner Network. Cortex delivers e-invoicing services across various industries including Oil & Gas, Mining, and Sports & Entertainment, with a focused expansion into additional verticals as opportunities present themselves.

We generate revenue through a combination of recurring monthly access and usage fees, integration fees and project management fees. Our network platform provides equal value to both the buyer and supplier organizations by leveraging a customer's existing technology, while facilitating connections to new trading partners, improved cash flow, data accuracy, internal controls and improved visibility into accounts receivable and accounts payable at any point in the process flow.

We implemented our shared value model over 10 years ago, at a time when no company billed suppliers, as it was our belief that suppliers would pay for a service that provided them real value. Recent events have provided validation of this model as our competitors have made the decision to adopt similar models.

As a leading network-as-a-service company, Cortex is focused on helping businesses within North America transform their manual and costly invoice-related processes, by enabling buyers and suppliers to send and receive documents electronically (including Rate Schedules, Purchase Orders, Field Tickets, and Invoices). Cortex also offers lightweight document approval tools for Field Tickets and Invoices that allow users to review documents prior to data being transmitted to the formal document workflow and ERP systems.

HOW WE COMPETE

Technology solutions like Cortex allow companies to run more efficiently without having large fluctuations in staffing requirements. Our goal isn't to replace existing staff; rather our focus is on helping employees perform their jobs better and faster, thus enabling them to focus on higher value tasks within their company. Traditionally, the Oil & Gas industry lags when it comes to implementing new administrative technologies, but we have seen greater interest from customers wanting to capitalize on the down economy by implementing a low-cost, high return solution to better prepare themselves for the eventual return to normal.

We bolster the standard functionality of the Cortex Trading Partner Network through strategic partnerships with technology vendors in the Procure to Pay space. These partnerships help Cortex enhance the customer's existing investment in solutions for accounting, finance, procurement and operations.

In addition, Cortex forms strategic relations with industry associations and education, furthering our ability to innovate, serve customers and help shape the future of technology in North America. Some of the organizations that we align with are Alberta Innovates Technology Forum, OFS Portal, Petroleum Industry Data Exchange, and the University of Calgary. Through these collaborative relationships, Cortex puts itself at the forefront of technology and industry best practices, and helps us remain at the forefront of leadership, compliance and growth in electronic procurement and supply chain solutions.

INDUSTRY TRENDS

Our primary industry remains Oil & Gas which can experience extended periods of great prosperity followed by periods of economic hardship as has been the case since early 2015 and. The new reality of the Oil & Gas market creates a greater need for improved productivity and lower operating costs. Technology solutions like Cortex allow companies to run more efficiently without having large fluctuations in staffing requirements.

Because of the flexibility of our platform, we can offer our e-invoicing solution across many industry segments beyond Oil & Gas such as food and beverage companies, software vendors, engineering companies and equipment dealers. Each of these markets shares a common denominator of having complex procurement cycles, supported by costly, manual processes, which can benefit from being on the Cortex Trading Partner Network ("the Network").

ECONOMIC CONDITIONS

The market for cloud-based, software-as-a-service is a highly competitive, yet somewhat underserved market. Most vendors focus on offering several loosely-connected services as part of larger, more diluted offering, whereas we focus solely on e-invoicing as a means of providing the greatest value to our customers. Our ability to offer a platform that connects to existing software, and is accessible via several different connection methods, allows us to better enhance a customer's process without acting as a disruptive entity.

A unique quality of the Network is our multiple connection methods that ensure any company, regardless of size or accounting complexity can benefit from using Cortex. Companies that start with our standard Workbench connection get full control over the invoice data entry from day one. As they grow they can move to a partial integrated connection method that simplifies their processes further through a draft upload capability. For those looking to fully automate their invoicing, we offer a complete integration method.

OPERATIONAL HIGHLIGHTS

The following are some key operational highlights achieved during and subsequent to the first quarter to drive towards the Company's strategic and financial goals.

- Corporate office move completed. The Company transitioned to its new head office during the quarter, leveraging the competitive marketplace to obtain a new and modern consolidated space for all Cortex staff. The company achieved this while also obtaining cost reductions in overall office costs.
- Decommissioning of the Cortex legacy platform well underway. One of the Company's largest customers has started the transition to the current Cortex platform, thereby enabling the Company to begin streamlining its product offering.
- Strategic Partnership with AP Velocity was agreed to in Q1 2018. This along with existing partnerships provide the Company with additional capabilities for increased Network reach across more of the procure-to-pay cycle. These partnerships will enable Cortex to alter its' revenue streams in the future. The Company continues to establish additional strategic partnerships.
- The Company's new CFO, Jason Baird, CPA, CA joined the Company on November 16^{th}, 2017. Mr. Baird brings significant qualifications and experience to Cortex as the Company builds out its long-term strategic and financial goals.

FINANCIAL HIGHLIGHTS

The following are some key financial highlights achieved during the first quarter to drive towards the Company's strategic and financial goals.

- Positive cash flow from operations: The Company continues to build on its repeatable business as evidence by positive cash flows of $0.3 million from operations carried on from the previous fiscal year.
- Positive net income: The Company provided its best quarterly performance in its history.
- Access and usage fees: Increase of 20% Q1 2018 from Q1 2017.
- Project management fees: The Company continues to recognize fees associated with transitioning one of its major customers to the current Cortex platform. This work is ongoing for fiscal year ended July 31, 2018 ("F2018").

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total revenue	$ 3,234,673	$ 2,937,822	$ 2,930,726	$ 2,721,676	$ 2,469,068	$ 2,234,359	$ 2,403,314	$ 2,558,573	$ 2,627,272
Access and usage Fees	2,809,912	2,624,467	2,603,932	2,398,153	2,337,660	2,152,545	2,263,485	2,443,975	2,516,293
Total other expenses[1]	2,120,897	2,389,005	2,041,944	2,131,024	1,723,685	1,594,755	1,664,150	1,778,452	2,008,346
Net cash provided by (used in) operating activities	313,863	510,690	241,456	(108,755)	(126,248)	(432,424)	(205,502)	(400,319)	(138,521)
Adjusted EBITDA[2]	504,813	182,323	170,731	165,410	50,750	(137,517)	(63,546)	(22,950)	(75,591)
Net income (loss)	286,464	(145,989)	19,847	(196,385)	(92,787)	(711,297)	(564,981)	(619,256)	(809,135)
Basic and diluted loss per share	$ 0.03	$ (0.02)	$ 0.00	$ (0.02)	$ (0.01)	$ (0.08)	$ (0.06)	$ (0.07)	$ (0.10)

(1) Other expenses include: Sales and marketing, Research and development, General and administrative, Severance and termination charges and Onerous contract.
(2) See additional information in the "Non-IFRS Measures" section below on page 19.

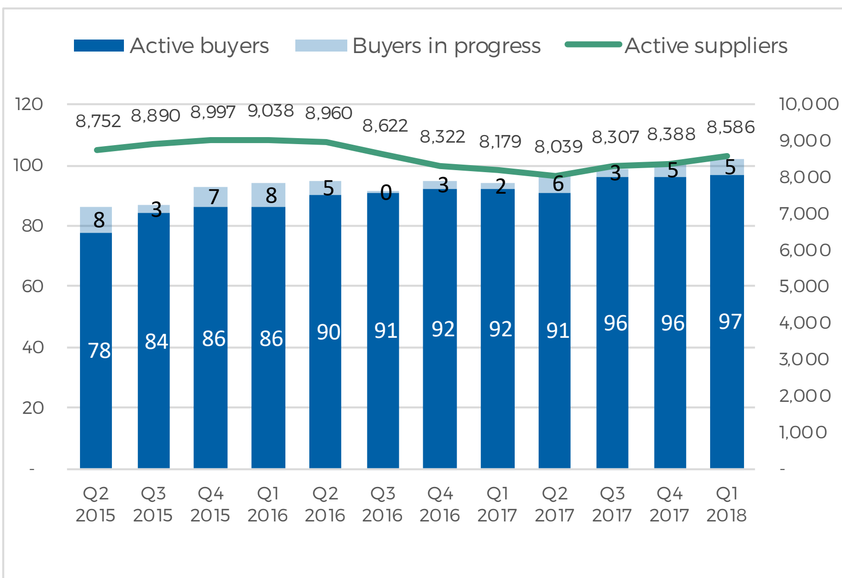
KEY METRICS

Access and usage fee revenue is influenced by the number of billable transactions and active suppliers on the Network. The billable transactions trend is aligned to the movement in the usage fees whereas the access fees tends to move more in line with the number of active suppliers. The number of billable transactions is dependent on the invoice flow between buyers and suppliers on the Network.

The number of active suppliers is a measure of how many suppliers sent invoices in any given month. This occurs by either sending a document or having a minimum monthly access fee.

The following table illustrates the growth in some key operational metrics:

	Q1 F2018	Q1 F2017	% change	Q1 F2018	Q4 F2017	% change
Active Buyers	**97**	92	5%	97	96	1%
Buyers in progress	**5**	2	150%	5	5	0%
Total	**102**	94	9%	102	101	1%
Active Suppliers	**8,586**	8,179	5%	8,586	8,388	2%
Billable documents exchanged	**1,323,238**	1,047,398	26%	1,323,238	1,279,286	3%
Total documents exchanged	**3,284,417**	2,691,952	22%	3,284,417	3,103,238	6%



The number of buyers transacting on the Network has increased 5% and the total number contracted increased 9% in Q1 2018 compared to Q1 2017. Three new buyers were added during Q1 2018 while 2 were decommissioned during the same period. The decommissioned buyers were the result of M&A and competition.

As more buying organizations join Cortex and accept invoices, more suppliers are brought onto the Network. With an increase of buyers as destination points for suppliers, the ability to send invoices electronically magnifies. This correlates significantly with the number of billable documents and our recurring fees in the form of access and usage fees.

QUARTERLY INFORMATION

The Company continues to deliver strong results quarterly as outlined below.

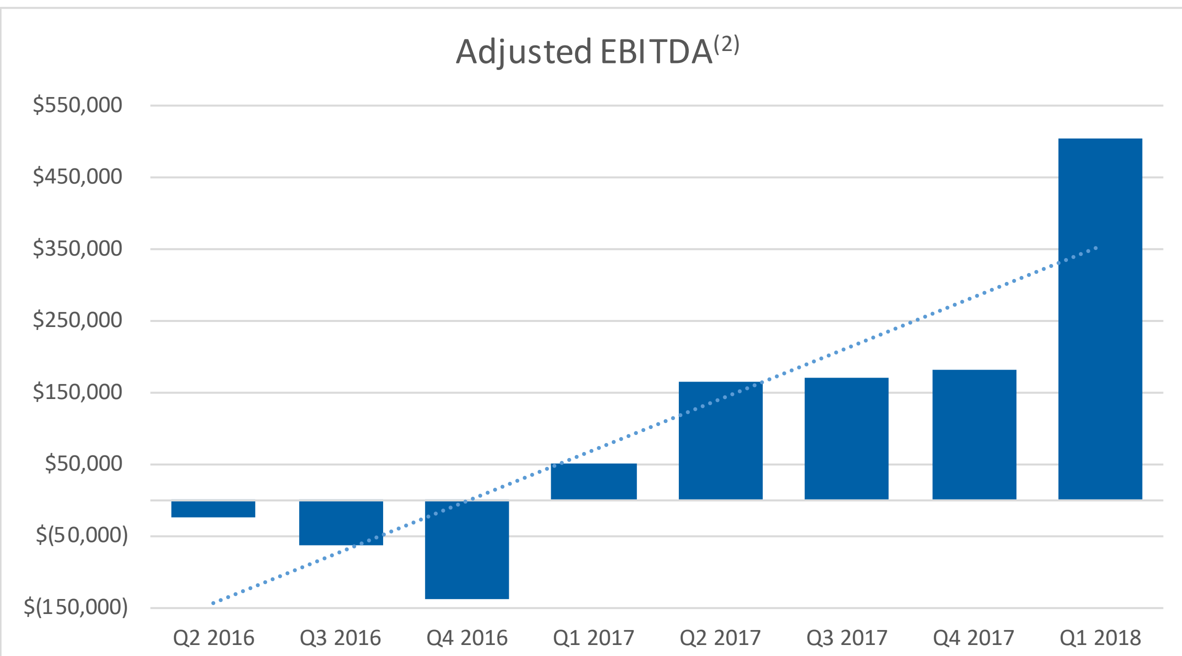
	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Total revenue	$ 3,234,673	$ 2,937,822	$ 2,930,726	$ 2,721,676	$ 2,469,068	$ 2,234,359	$ 2,403,314	$ 2,558,573
Access and usage Fees	2,809,912	2,624,467	2,603,932	2,398,153	2,337,660	2,152,545	2,263,485	2,443,975
Total other expenses(1)	2,120,897	2,389,005	2,041,944	2,131,024	1,723,685	1,594,755	1,664,150	1,778,452
Net cash provided by (used in) operating activities	313,863	510,690	241,456	(108,755)	(126,248)	(432,424)	(205,502)	(400,319)
Adjusted EBITDA(2)	504,813	182,323	170,731	165,410	50,750	(137,517)	(63,546)	(22,950)

(1) Other expenses include: Sales and marketing, Research and development, General and administrative, Severance and termination charges and Onerous contract.

(2) See reconciliation below and additional information in the “Non-IFRS Measures” section below on page 19.

The following is a reconciliation of Adjusted EBITDA(2) to net income (loss):

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net Income (Loss)	$ 286,464	$ (145,989)	$ 19,847	$ (196,385)	$ (92,787)	$ (711,297)	$ (564,981)	$ (619,256)
Amortization	150,294	64,162	25,004	25,030	24,855	460,622	460,301	460,298
Income tax expense (recovery)	2,108	(68,592)	16,799	15,024	14,641	14,031	(14,305)	282
Share-based payments	65,947	115,104	109,081	321,741	104,041	99,127	55,439	135,726
Onerous contract	-	217,638	-	-	-	-	-	-
Adjusted EBITDA(2)	$ 504,813	$ 182,323	$ 170,731	$ 165,410	$ 50,750	$ (137,517)	$ (63,546)	$ (22,950)



(2) See additional information in the “Non-IFRS Measures” section below on page 19.

QUARTERLY REVENUE

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

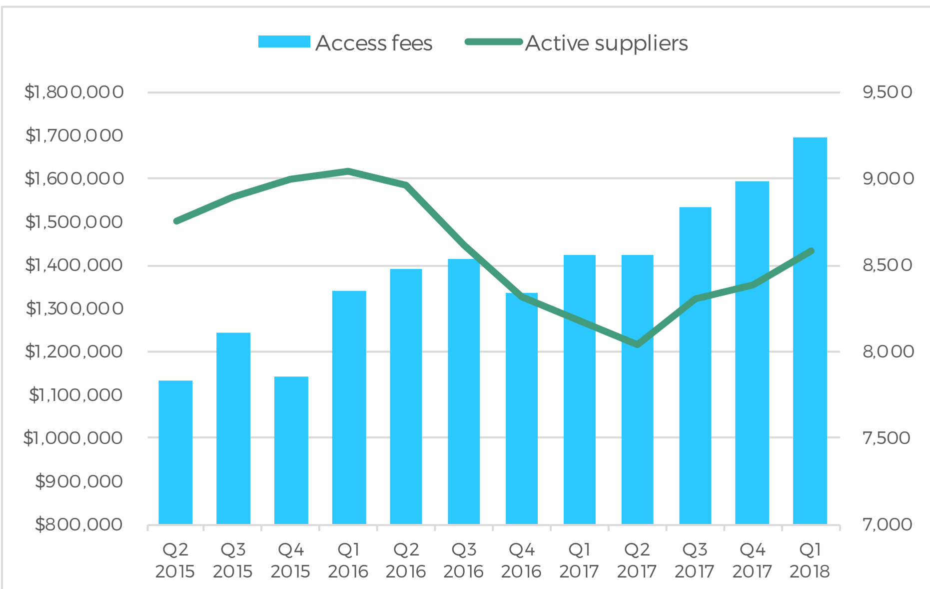
	Q1 2018	Q1 2017	% Change
Revenue			
Access and usage	$ 2,809,912	$ 2,337,660	20%
Integration	86,561	18,124	378%
Project management	338,200	113,284	199%
	3,234,673	2,469,068	31%

The Company's total revenue increased 31% or $0.7 million Q1 F2018 over Q1 2017.

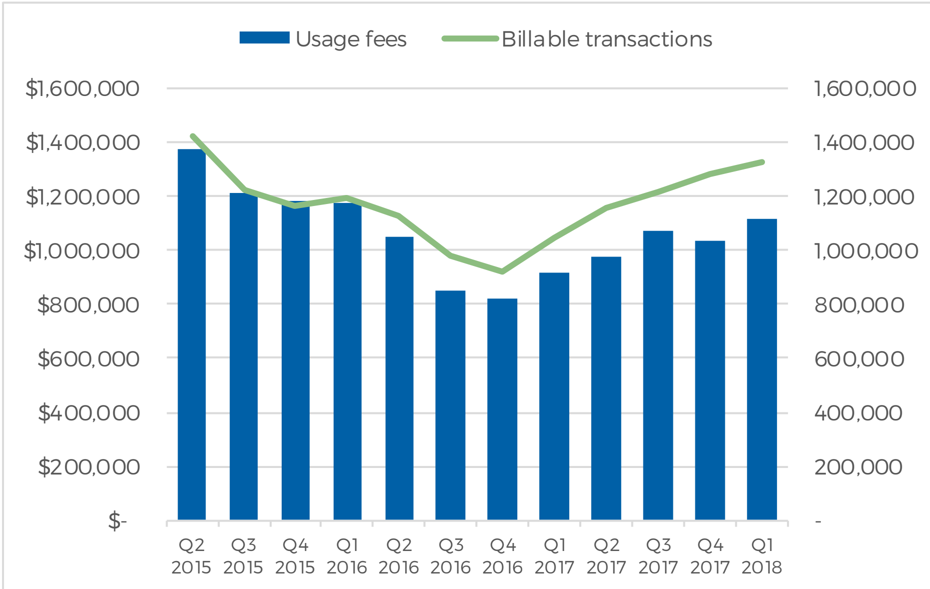
	Q1 2018	Q1 2017	% Change
Access and usage			
Access	$ 1,694,087	$ 1,421,555	19%
Usage	1,115,825	916,105	22%
	2,809,912	2,337,660	20%

Access and usage fees increased 20% in Q1 F2018 over Q1 F2017.

Access fees tend to move more in line with the number of active suppliers whereas the usage fees trend more in line with billable transactions. The charts below highlight this point for the last 12 quarters.



Access fees grew 19% or $0.3 million Q1 F2018 over Q1 F2017 while the number of active suppliers went up 5% during the same period. Consistent with the annual change described above, the results from the quarter also show the effects of the efforts put in place to mitigate fluctuations in customer fees by ensuring customers were on optimal price plans that had higher access fees with the appropriate amount of documents included. This resulted in a shift to higher access fees, less influenced by the number of billable transactions. For this reason, the access fees do not trend proportionately with the increase in active suppliers.

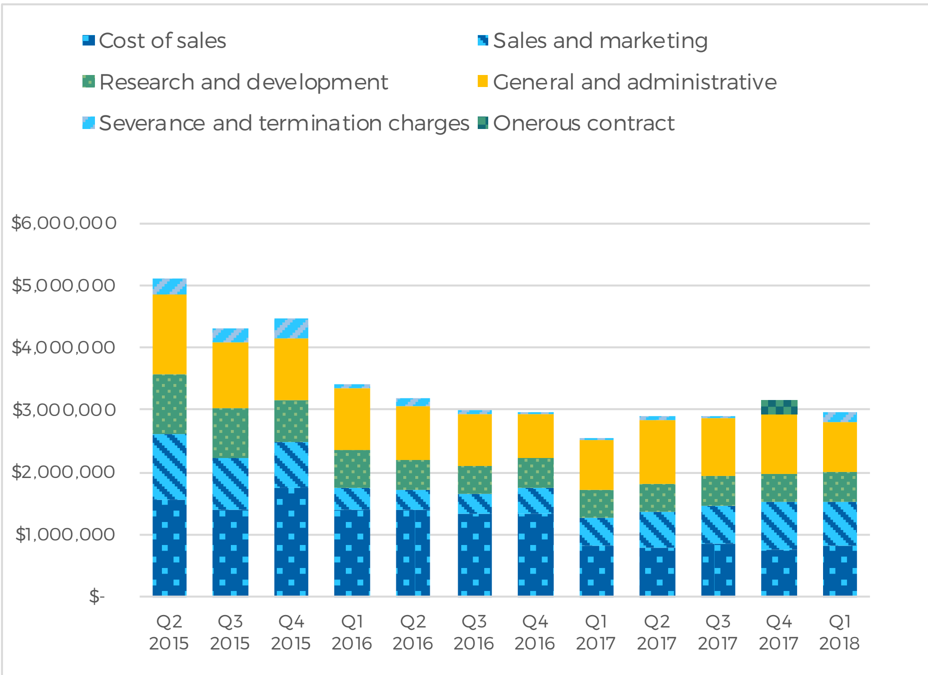


Usage fees are closer aligned with movements in the number of billable transactions flowing through the Network. Usage fees increased 22% in Q1 F2018 over Q1 F2017 with an increase in billable transactions of 26%. With the shift to higher access fees noted above, billable transactions have less of an impact on usage fees as they only occur when customers go over their allotted documents per month or if they are on usage only price plan.

QUARTERLY EXPENSES

Total expenses increased Q1 F2018 over Q1 F2017 by 16% or $0.4 million.

	Q1 2018	Q1 2017	% Change
Expenses			
Cost of sales	$ 832,300	$ 823,538	1%
Sales and marketing	689,969	459,909	50%
Research and development	477,587	440,531	8%
General and administrative	797,419	801,857	(1%)
Severance and termination charges	155,922	21,388	629%
	2,953,197	2,547,223	16%



The main increases in overall expenses are severance and termination charges of $0.2 million due to executive turnover and sales and marketing costs of $0.2 million as sales efforts ramped up throughout F2017 with increased sales staff and higher travel costs.

Furthermore, amortization costs increased $0.2 million as a result of accelerated amortization on assets no longer in use as part of the Company's move of headquarters. These costs were proportionately allocated as overheads to the major expense categories.

Expenses related to operations are expected to remain flat as the Company has in place a repeatable business model that will allow the business to scale up without a significant need to invest in additional infrastructure or personnel.

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

COST OF SALES & GROSS PROFIT

	Q1 2018	Q1 2017	% Change
Cost of sales	$ 832,300	$ 823,538	1%
As a percentage of revenue	26%	33%	(21%)
Gross profit	2,402,373	1,645,530	46%
Gross profit %	74%	67%	10%

Gross profit improved to 74% from 67%. Cost of sales remained flat in Q1 F2018 compared to Q1 F2017. Reduction in headcounts resulted in savings of $0.1 million offset by $0.1 million in increased overhead allocations and general and administrative expenses. Cost of sales is expected to remain relatively flat in the short term for future quarters.

SALES AND MARKETING

	Q1 2018	Q1 2017	% Change
Sales and marketing	$ 689,969	$ 459,909	50%
As a percentage of revenue	21%	19%	

Sales and marketing expenses increased $0.2 million or 50% from Q1 F2017 to Q1 F2018. The primary driver is the expansion of the sales team through F2017 resulting in increased salary costs of $0.1 million and accrued commission costs of $0.1 million. Sales and marketing expenses are expected to be similar as a percentage of revenue for future quarters.

RESEARCH AND DEVELOPMENT

	Q1 2018	Q1 2017	% Change
Research and development	$ 477,587	$ 440,531	8%
As a percentage of revenue	15%	18%	

Research and development expenses increased 8% in Q1 2018 from Q1 F2017 primarily related to increased overhead allocations. Research and development costs are expected to remain flat in future quarters.

GENERAL AND ADMINISTRATIVE

	Q1 2018	Q1 2017	% Change
General and administrative	$ 797,419	$ 801,857	(1%)
As a percentage of revenue	25%	32%	

The general and administrative expenses remained flat, decreasing approximately 1% from Q1 F2017 to Q1 F2018. No significant changes were observed in these expenses and no significant changes are expected in future quarters.

SEVERANCE AND TERMINATION CHARGES

	Q1 2018	Q1 2017	% Change
Severance and termination charges	$ 155,922	$ 21,388	629%
As a percentage of revenue	4.8%	0.9%	

Severance and termination charges increased 629% or $0.1 million as of the result of severance provisions made during the quarter pertaining to an executive team member.

NET INCOME Q1 F2018

The Company's net income for the quarter ended October 31, 2017 improved 409% to $0.3 million compared to the quarter ended October 31, 2016 net loss of $(0.1) million.

The significant items impacting net income were:

- Improved revenue growth resulting in a 31% increase.
- Overall expenses increasing 16%, primarily related to increased sales and marketing costs and severance and termination charges.

INCOME TAXES

For the quarter ended October 31, 2017, the Company is not cash taxable. At October 31, 2017, the Company had approximately $53,428,217 of non-capital losses to carry forward to reduce future year's taxable income in Canada and $471,902 in the U.S. These non-capital losses begin to expire in 2026.

SHARE CAPITAL

Cortex Business Solutions Inc. issued 21,158 common shares during Q1 F2018 compared to none during Q1 F2017. Of the shares issued, all 21,158 were issued by way of the exercise of stock options and compensation units for total proceeds of $46,250.

The number of common shares issued and outstanding at October 31, 2017 was 9,091,141 and December 5, 2017 is 9,096,611.

The Company had 160,245 Deferred Share Units outstanding at October 31, 2017 and December 5, 2017.

There were no compensation units outstanding October 31, 2017. These were issued in conjunction with the private placement on September 2, 2015. These units were exercisable at $2.00 for a period of two years.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2017, Cortex Business Solutions Inc. held $6,592,998 in cash and cash equivalents and $60,000 in short-term investments, compared to $5,574,766 and $60,000, respectively, at October 31, 2016. The Company had trade accounts receivable of $907,252 at October 31, 2017 compared to trade accounts receivable of $388,726 at October 31, 2016. The Company continues to maintain a diligent collections regime. None of the accounts receivables are under dispute; however, the Company has set up $20,110 as an allowance for doubtful accounts at October 31, 2017 based on historical review.

The Company has current working capital of $5,941,807 at October 31, 2017 compared to $5,261,328 at October 31, 2016. Cash provided by operating activities improved 349% to $313,683 in Q1 F2018 compared to cash used in operating activities of $(126,248) during Q1 F2017.

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 ongoing capital commitments, planned capital expenditures and its cash holdings. The Company has set forth in its approved business plan, expected revenue and expense targets for the fiscal year ended July 31, 2018.

The Company is not subject to externally imposed minimum capital requirements. There has been no change to the Company's capital management policy during the period ended October 31, 2017. The consolidated financial statements have been prepared in accordance with IFRS 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 and finance leases for office space and equipment expiring at various dates through to April 29, 2022.

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

Year	Amount
2018	$ 223,141
2019	143,663
2020	124,649
2021	124,649
2022	94,709
Total	**$ 710,811**

BUSINESS RISKS AND UNCERTAINTIES

Material risk factors that could cause our actual results to differ materially from the forward-looking statements contained herein include the dependence on key personnel, risks related to expansion of our business operations – domestically and internationally, current global economic downturns, 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, share price volatility, 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 Annual Information form as filed on November 8, 2017. This document 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 NON-FINANCIAL ASSETS

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the quarters ended October 31, 2017 or October 31, 2016.

USEFUL LIFE OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

VALUATION OF ACCOUNTS RECEIVABLE

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts. During this review, historical experience, the age of the receivable balance, the credit worthiness of the customer and the reason for delinquency are considered.

SHARE-BASED COMPENSATION

Management is required to make certain estimates when determining the fair value of stock options awards 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.

The Company operates a stock option plan as approved by the shareholders at the 2016 Annual General Meeting on December 7, 2016. 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, 2017 was 587,032 and at October 31, 2016, 570,467 with a weighted average exercise price of $3.98 and $4.15 respectively. The amounts exercisable for the same periods were 288,079 and 205,747, respectively, with a weighted average exercise price of $4.92 and $6.85 respectively. At December 5, 2017, the Company had 275,850 stock options exercisable and 644,610 stock options issued and outstanding. At December 5, 2017 there were no Compensation Units outstanding.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In the preparation of these Consolidated Financial Statements, the Company has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

INCOME TAX

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized. Management has determined that future realization of its deferred Canadian 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 consolidated 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.

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 Company for the first interim period beginning August 1, 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers. The 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 Company for the first interim period beginning August 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 standard will impact the Company and is effective for the first annual year ended July 31, 2020.

NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

The MD&A contains references to Non-IFRS financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. These measures assist the Company in evaluating the Company's operating performance against its expectations and against other entities. These non-IFRS financial measures assist in identifying underlying operating trends but are not substitutes for the Company's results reported under IFRS. Each measure is defined as follows:

- Adjusted earnings before interest, taxes, depreciation and amortization **("Adjusted EBITDA")** provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses including interest, tax, depreciation and amortization, in addition to non-recurring charges and share based payments. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by Management in day-to-day operations. The fluctuations in tax rates, interest rates and the Company's stock price are not reflective of the Company's core operations.

  For F2017, costs associated with an onerous contract related to the Company's previous Head office lease are classified as non-recurring.

"Joel Leetzow" (signed)

President and CEO

"Jason Baird" (signed), CPA, CA

VP Finance and CFO

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Joel Leetzow
President and Chief Executive Officer

Jason Baird
VP, Finance and Chief Financial Officer

Elena Dumitrascu
VP, Strategic Partnerships

Darryl Gate
VP, Client Services

John Gilkison
VP, Sales & Business Development

Chris Lambert
VP, Technology

BOARD OF DIRECTORS

Grant Billing
Chairman of the Board, Corporate Governance

Randy Henderson (3)
Chairman, Audit

Mark Ripplinger
Chairman, Compensation

Greg Mark (1) (2)
Director

Andrew Gutman (1) (2) (3)
Director

Joel Leetzow
Director

Committees

(1) Audit Committee

(2) Compensation Committee

(3) Corporate Governance

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

LAWYERS

DLA Piper
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada
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