Cortex Business Solutions Inc.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2018 AND 2017

DATED: December 4, 2018

Management's Discussion & Analysis

For the quarters ended October 31, 2018 and 2017

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 interim financial statements and related notes, as at and for the three month period ended October 31, 2018, and with the audited consolidated financial statements and related notes for the year ended July 31, 2018, in addition to the MD&A for that same period. The accompanying condensed interim financial statements of Cortex have been prepared by Management and approved by the Company's Audit Committee and 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 4, 2018.

The MD&A and consolidated 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

This MD&A contains forward looking statements and forward-looking information that reflect future plans, estimates, beliefs and expected performance. Such forward-looking statements may involve known and unknown risks and uncertainties that may be outside the Company's control., This may cause the actual results, performances, events, 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", "propose", "scheduled", "likely" 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 and information describe our expectations, as of the date of the MD&A.

Readers are cautioned not to place undue reliance on forward-looking statements and information, 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 and information will materialize and the Company assumes no obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or any other reason unless required by applicable securities laws.

WHO WE ARE

Cortex is one of Canada's leading technology companies that as a North American network-as-a-service complete document management & e-invoicing solutions provider for over 11 years. Cortex most recently has had annual trailing revenue totaling more than $12 million and over 11,000 trading partners on the Cortex Trading Partner Network ("the Network"). Cortex delivers e-invoicing and document management services across various industries including Oil & Gas, Mining, Manufacturing 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 reoccurring usage fees, integration fees, funding services and project management fees. Cortex's strategy is to revolutionize Business To Business (B2B) document exchange by replacing traditional paper-based manual systems with automated e-invoicing and document management. This positions the Company with the scalability and flexibility needed to meet the demands of today's business. Cortex offers an expanded B2B network that enables electronic invoicing and document management for buying and supplying organizations using flexible connection methods to leverage existing customer technologies and processes. Access to the Network enhances the exchange of documents allowing companies to connect and interact with each other to grow their businesses.

Our Network platform provides high value to both the buyer and supplier organizations by leveraging a customer's existing technology, while facilitating connections to new trading partners, improved cash flows, data accuracy and integrity, stronger internal controls and improved visibility into accounts receivable and accounts payable functions at any point in the document process flow.

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 simplify their processes further through a draft upload capability. For those looking to fully automate their invoicing, we offer a complete integration method.

We implemented our shared value model 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 some of our competitors have made the decision to adopt similar models.

As a network-as-a-service complete e-invoicing and document management 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 now offers document approval tools that allow users document workflow and storage along with integrations into ERP systems.

In the first quarter of fiscal 2019 Cortex entered into a share purchase agreement whereby the Company agreed to acquire all of the issued and outstanding common and preferred shares of Powervision Software Inc. ("Powervision")

Powervision specializes in the development of electronic document management and workflow management software. This acquisition has increased the product offering that Cortex can offer its current and future customers. Powervision's client base is oil and gas industry mainly in Canada. Powervision has been a Cortex partner since Cortex's inception and a significant number of Powervision customers are already on the Cortex Network. The transaction will strengthen and expand Cortex's position as the digital document platform of choice across North America.

In the first quarter of fiscal 2019 Cortex also launched a proprietary document workflow solution for the automatic routing and approval of procure-to-pay business documents. This expanded service solidifies Cortex's expansion into a full-service Account Payable (A/P) and Accounts receivable (A/R) automation solution provider. This Intelligent Invoice Approval "(IIA") product offering compliments Cortex's existing e-invoicing platform to move documents seamlessly through the routing and approval phase using a multi-level approval method for the decision of processing and uploading documents into a customer's ERP system.

The IIA is a cloud-based application and Cortex will manage the system performance, back-ups, availability, and any system changes or upgrades, allowing customers more time to focus on business goals. The application uses responsive browser technology to scale for easy use on any device from desktop to mobile. The cloud-based format allows users to self-administer the application, enabling the flexibility to create or change document flows to meet business needs.

HOW WE COMPETE

Technology solutions like Cortex's B2B document exchange allow companies to run more efficiently and enable them to focus on their own strategies without having large fluctuations in staffing requirements or distractions that take effort away from their core business. Our long-term goal for our customers is not to replace their existing staff; rather our focus is on helping employees perform their jobs faster and more efficiently, thus enabling them to focus on higher value tasks within their company to contribute to the bottom line and participate in their core values strategy. Historically, the oil & gas industry delays implementing new administrative technologies, but Cortex has witnessed recently customers requesting the implementation of a low-cost, high return on investment solution for them to concentrate on their own product and service offerings.

Cortex bolsters the standard functionality of the 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 cohesive strategic relations with industry associations and educational institutions, furthering our ability to innovate, grow, 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 have a competitive advantage in leadership, compliance and growth in electronic procurement and supply chain solutions.

Cortex is positioned to offer a comprehensive solution for its customers that has expanded materially with the acquisition of Powervision and the internal development of IIA.

INDUSTRY TRENDS

Our primary industry remains oil & gas, which can and is experiencing extended periods of great prosperity followed by periods of economic hardship, as has been the case in recent years. The new reality of the oil & gas market and more specifically commodity price fluctuations and in turn, capital budget variances 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 and reduces risk by lowering manual processes that can lead to human error.

Because of the flexibility of our platform and expanded document workflow solutions, we can offer our product solutions 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 Network. Cortex continues to explore these new markets to find the best way to support these complex procurement cycles and challenges.

ECONOMIC CONDITIONS

The market for cloud-based, software-as-a-service solutions and products 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 have focused up until now solely on e-invoicing as a network to provide the greatest value to our customers. Our ability to offer an expanded solutions platform including document workflow approval and storage, 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 and lowering overall risk for the customer.

SEASONALITY & MARKET IMPACT

The recurring monthly access and reoccurring usage fees that we derive from customers transacting on the Network and from the Powervision acquisition have cyclical characteristics based on the current verticals the Company operates in. The integration fees and project management fees fluctuate each quarter dependent on multiple factors such as number of new buyers joining the Network in any given quarter, customization requirements of the individual customer and sophistication of the customers' integration team.

A primary example of seasonal effects on the Canadian oil & gas industry is the reduction of business that occurs during spring break up. During or for a portion of the spring months, most oil & gas companies are affected by government road bans which impede their ability to move equipment to different lease sites. This government-imposed slowdown to protect environmental damage of work means fewer rigs are operating than during the rest of the year, which affects the number of invoices being sent.

In Western Canada, there are many factors causing oil and gas prices to decline and the price differential is largely discounted against US commodity prices. These include pipeline capacity shortages which means companies have had difficulties getting their product to new markets. This has made it very difficult for some companies to sustain operations and recently there has been an increase in mergers and acquisitions to gain economies of scale to try to counter the discounted commodity prices.

OPERATIONAL HIGHLIGHTS & KEY METRICS

The following are some key operational highlights achieved during Q1 F2019:

- In the first quarter of F2019 Cortex entered into a share purchase agreement whereby the Company agreed to acquire all of the issued and outstanding common and preferred shares of Powervision Software Inc. ("Powervision"). Powervision specializes in the development of electronic document management and workflow management software. This acquisition has increased the product offering that Cortex can offer its current and future customers.

- In the quarter, Cortex also launched a proprietary document workflow solution for the automatic routing and approval of procure-to-pay business documents. This expanded service solidifies Cortex's expansion into a full-service A/P and A/R automation solution provider.

- Cortex has increased active suppliers on the Network by 2% to 9,386 from 9,160 at the end of Q4 F2018 and a 9% increase compared to the prior year. This not only increases recurring access revenue, but it confirms that companies are using technology to operate their business which can create cost savings and efficiencies.

Access and Usage fees

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.

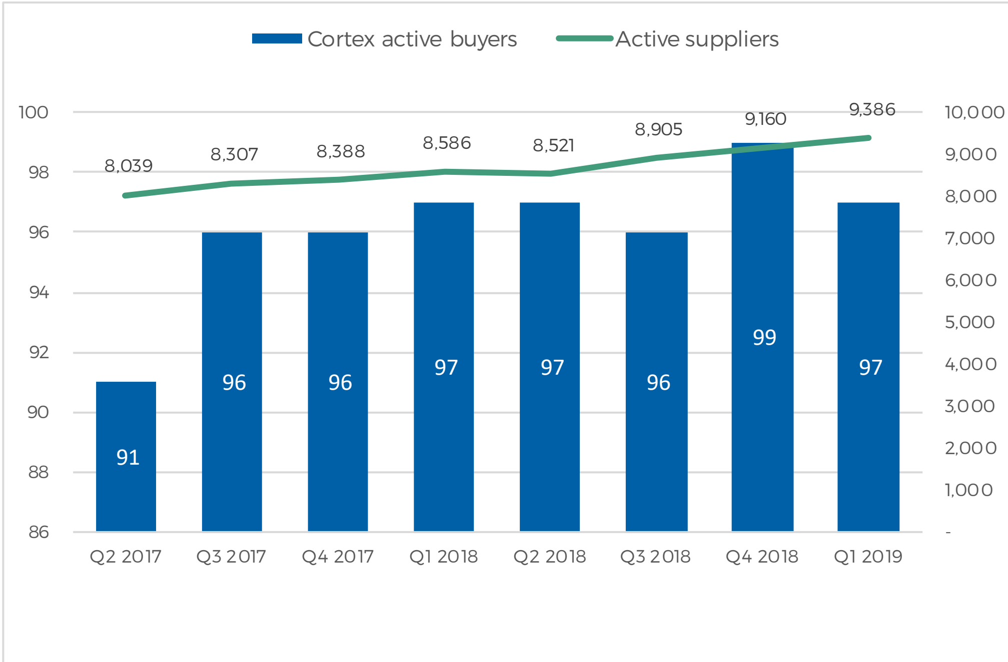
The number of active suppliers is a measure of how many suppliers sent invoices in any given month. This occurs by either sending a document or having a minimum monthly access fee.

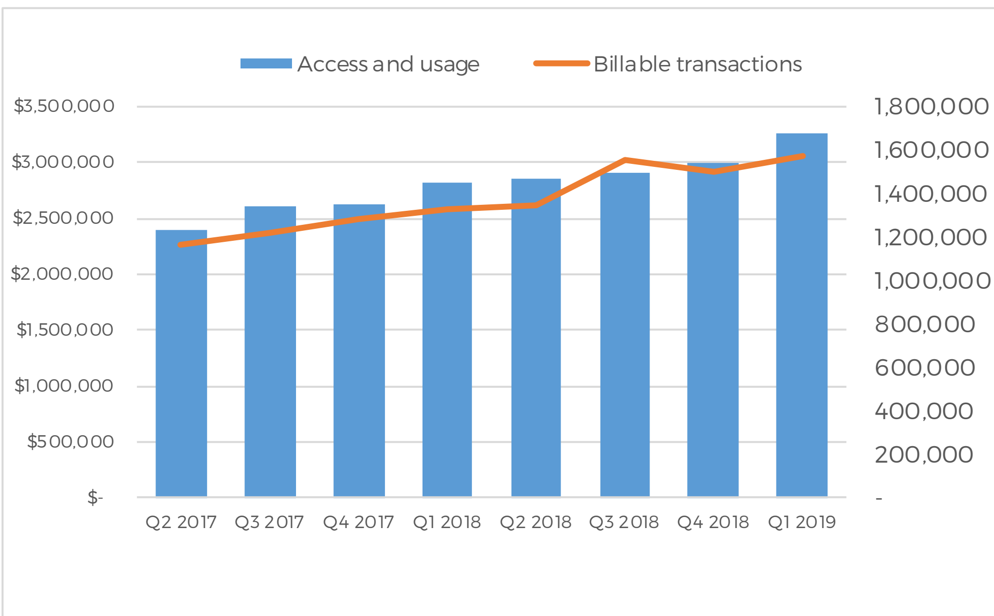
Powervision as of October 31, 2018 has 62 total contracted customers. These customers have a variety of access and usage contracts in place.

The following tables illustrate key operational metrics split between Cortex and Powervision:

Cortex	**Q1 F2019**	**Q1 F2018**	**% change**	**Q1 F2019**	**Q4 F2018**	**% change**
Buyers	**97**	97	0%	**97**	99	(2%)
Suppliers	**9,386**	8,586	9%	**9,386**	9,160	2%
Total partners	**9,483**	8,683	9%	**9,483**	9,259	2%
Billable documents exchanged	**1,570,947**	1,323,238	19%	**1,570,947**	1,496,136	5%
Total documents exchanged	**3,296,864**	3,284,417	0.4%	**3,296,864**	3,007,469	9.6%

Powervision customers	**Q1 F2019**
Shared customers	**33**
Powervision customers	**29**
Total customers	**62**





As buying organizations join Cortex and accept invoices on the Network, new suppliers are brought onto the Network and existing suppliers transact more. With a higher number of buyers as destination points for suppliers, the ability to send invoices electronically compounds quickly. This correlates significantly with the number of billable documents and our recurring fees in the form of access fees and reoccurring usage fees. The model has resulted in a Network of approximately 18,000 individual users and almost 12,000 customers on the Network as of Q1 F2019.

Powervision customers are considered any customer that has signed a contract where Powervision provides a service. There are 33 Powervision customers that are also Cortex Buyers on the Network relating to the previous partnership in place between the two companies.

FINANCIAL HIGHLIGHTS

The following table is a summary of key financial results for stakeholders as at and for the three months ended, October 31, 2018, 2017 and 2016.

	Q1 2019	Q1 2018	% Change	Q1 2018	Q1 2017	% Change
Total revenue	$ 3,335,532	$ 3,234,673	3%	$ 3,234,673	$ 2,469,068	31%
Cost of sales	925,357	832,300	11%	832,300	823,538	1%
Gross profit	2,410,175	2,402,373	0%	2,402,373	1,645,530	46%
Total other expenses (1)	2,134,078	2,120,897	1%	2,120,897	1,723,685	23%
Net income (loss)	1,110,220	286,464	288%	286,464	(92,787)	409%
Adjusted EBITDA(2)	649,035	504,813	29%	504,813	50,750	895%
Adjusted EBITDA % Margin(2)	19%	16%	25%	16%	2%	659%
Net income (loss) per share - Basic (3)	$ 0.12	$ 0.03	288%	$ 0.03	$ (0.01)	400%
Net income (loss) per share - Diluted (3)	$ 0.12	$ 0.03	288%	$ 0.03	$ (0.01)	400%
Total assets	16,814,323	8,642,714	95%	8,642,714	7,087,149	22%
Deferred revenue	470,535	495,200	(5%)	495,200	49,818	894%

(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

The following are some key financial highlights achieved during the year:

- Total assets increased by 95% from $8.6 million in Q1 2018 to $16.8 million in Q1 2019 due to positive cash flows from operations and goodwill and intangible asset additions from the recent acquisition of Powervision.
- Net Income increased by 288% from Q1 2018 to Q1 2019 due to both the increase in organic revenue and the Powervision acquisition. In addition, the majority of the increase is related to an additional income tax recovery related to deferred tax assets associated with the Powervision acquisition.
- Access and usage fees increased 16% from Q1 2019 compared to Q1 2018 mainly due to total suppliers on network as well as upgrading current suppliers' contracts.
- Consolidated one month of Powervision results for approximately $0.1 million of EBITDA.

QUARTERLY INFORMATION

The Company's prior eight quarterly results are outlined in the table below:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Total revenue	**$ 3,335,532**	$3,087,309	$3,112,843	$3,018,955	$3,234,673	$2,937,822	$2,930,726	$2,721,676
Access and usage Fees	**3,261,753**	2,986,866	2,911,847	2,853,893	2,809,912	2,624,467	2,603,932	2,398,153
Total other expenses[1]	**2,134,078**	1,875,458	1,695,811	1,918,224	2,120,897	2,389,005	2,041,944	2,131,024
Net cash provided by (used in) operating activities	**477,576**	673,607	843,048	141,452	313,863	510,690	241,456	(108,755)
Adjusted EBITDA[2]	**649,035**	431,158	622,732	614,910	504,813	182,323	170,731	165,410
Net income (loss)	**1,110,220**	3,088,803	644,448	322,150	286,464	(145,989)	19,847	(196,385)
Net income (loss) per share - basic	**$ 0.12**	$0.34	$0.07	$0.04	$0.03	($0.02)	$0.00	($0.02)
Net income (loss) per share - diluted	**$ 0.12**	$0.33	$0.07	$0.04	$0.03	($0.02)	$0.00	($0.02)

(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

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 its operating performance against its expectations and against other entities. The Company believes these measures provide useful information to both management and the readers of this MD&A in measuring the financial performance and condition of the Company. 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 compensation. 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 interest rates, tax rates and the Company's share price are not reflective of the Company's core operations.

- Adjusted EBITDA % Margin is the Adjusted EBITDA divided by Total revenue.

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

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net Income (Loss)	**$ 1,110,220**	**$ 3,088,803**	**$ 644,448**	**$ 322,150**	**$ 286,464**	**$ (145,989)**	**$ 19,847**	**$ (196,385)**
Amortization	55,812	15,943	9,220	8,167	150,294	64,162	25,004	25,030
Income tax expense (recovery) - current and deferred	(812,250)	(2,755,713)	2,227	2,142	2,108	(68,592)	16,799	15,024
Share-based payments	36,222	82,125	(33,163)	282,451	65,947	115,104	109,081	321,741
Onerous contract	-	-	-	-	-	217,638	-	-
Powevision Acquisition Transaction Costs	259,031	-	-	-	-	-	-	-
Adjusted EBITDA	**$ 649,035**	**$ 431,158**	**$ 622,732**	**$ 614,910**	**$ 504,813**	**$ 182,323**	**$ 170,731**	**$ 165,410**

Cortex has achieved Adjusted EBITDA of $0.6 million in Q1 2019. There were many non-recurring transaction costs relating to the Powervision acquisition. Adjusted EBITDA includes one month of results from the Powervision acquisition.

<u>RESULTS OF OPERATIONS – THREE MONTHS ENDED OCTOBER 31, 2018</u>

QUARTERLY REVENUE

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

	Q1 2019	Q1 2018	% Change
Revenue			
Access and usage	**$ 3,261,753**	$ 2,809,912	16%
Integration	**30,111**	86,561	(65%)
Project management and other revenue	**43,668**	338,200	(87%)
	$ 3,335,532	**$ 3,234,673**	**3%**

Access and usage fees include a monthly recurring subscription fee for access (fixed portion) to the Network plus reoccurring transaction fees (variable portion) which are recorded monthly as documents exchanged between buyers and suppliers. Price plans vary depending on number of transactions they forecast will occur within their business. The basic premise of the higher the access fee, the higher number of documents which are included in the plan and the lower the average price per document.

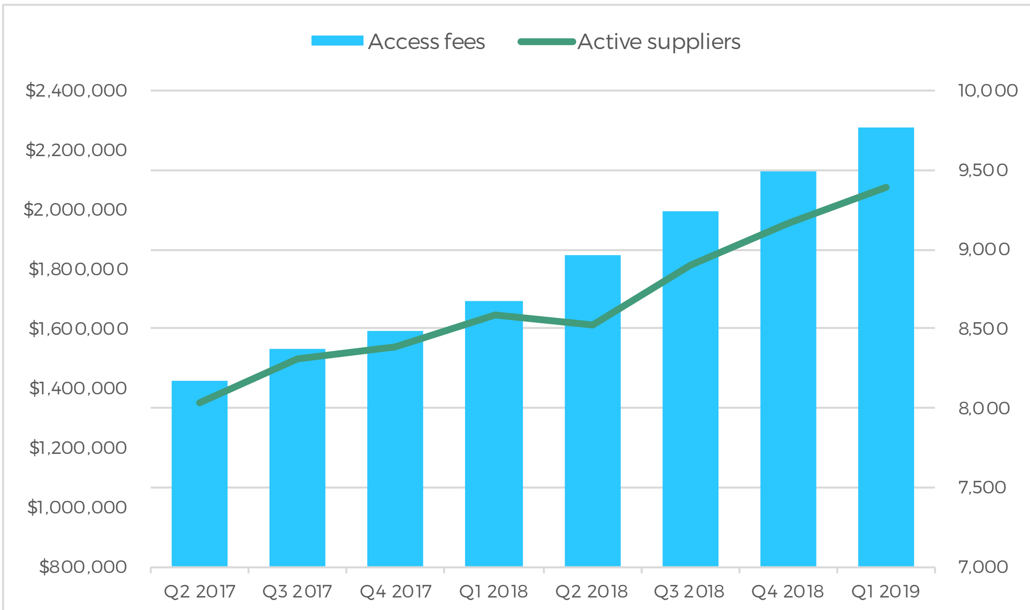
Total revenue increased by 3% from $3.2 million in Q1 2018 to $3.3 million in Q1 2019 mainly due to 16% higher access and usage fees, partially offset by lower integration and project management revenue. Additionally, this increase is attributable to the acquisition of Powervision as one month of its revenue is included in the consolidated results.

	Q1 2019	Q1 2018	% Change
Access and usage			
Access	**$ 2,278,149**	$ 1,694,087	34%
Usage	**983,604**	1,115,825	(12%)
	$ 3,261,753	**$ 2,809,912**	**16%**

ACCESS FEES

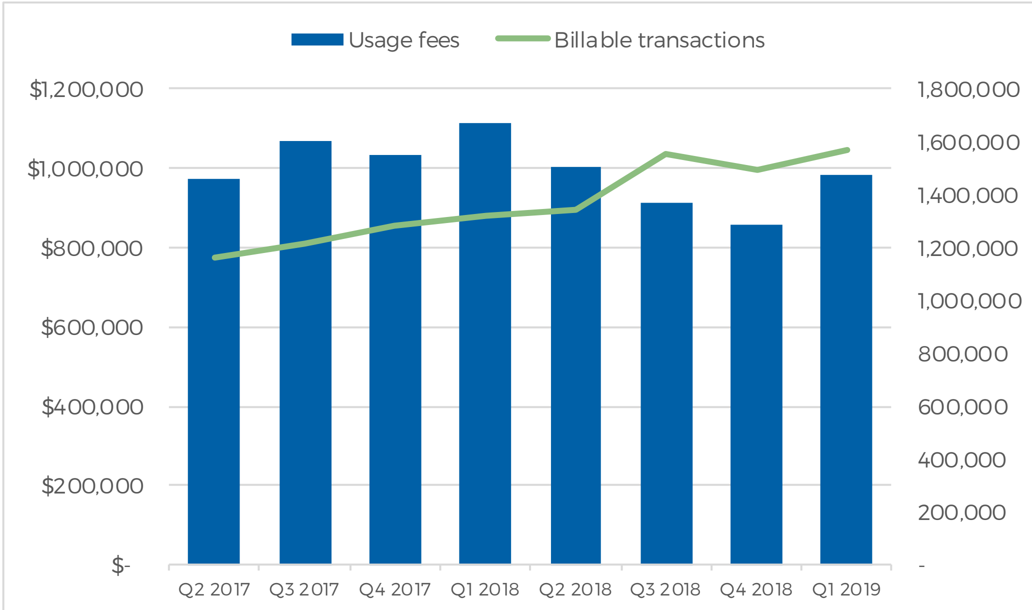
Access fees, also considered recurring fees are highly influenced by the number of active suppliers on the Network transacting with Cortex's buyers. Access fees grew 34% or $0.6 million during Q1 2019 over Q1 2018 (Q1 2019 - $2.3 million; Q1 2018 - $1.7 million) with the number of active suppliers increasing 9%.

This growth matches the Company's goal to mitigate unpredictable fluctuations in customer fees and gaining higher predictability of cash flows, by ensuring customers are on optimal price plans that have higher access fees with the correct estimate number of documents included for their business needs. This has continued to result in a shift to higher access fees less influenced by the number of billable transactions on the Network.



USAGE FEES

Usage fees have historically been correlated more with changes in the number of billable transactions flowing trough the Network as usage fees are a per document charge. Usage fees decreased 12% during Q1 2019 from Q1 2018 (Q1 2019 - $1.0 million; Q1 2018 - $1.1 million) even with a slight increase in billable transactions of 1%. With the shift to higher access fee subscriptions previously discussed, 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 plans.



Integration fee revenue is recognized as a percentage of completion based on the stage of the project. Integration fees revenue decreased 65% (Q1 2019 - $0.03 million; Q1 2018 - $0.1 million). The integration revenue stream continues to fluctuate dependent on integration project timelines, completions and the number of net new buyers and suppliers joining the Network in the year. The contract to live time frame for major integrations has progressed rapidly allowing for recognition of revenue to occur earlier while reducing the cost to deliver the integration.

Project management fees are recognized on a time and material basis as services are performed. In Q1 2019, project management fees decreased 87% from the prior period (Q1 2019 – $0.1 million; Q1 2018 - $0.3 million) as a large project with an existing customer was still in progress back in Q1 2018.

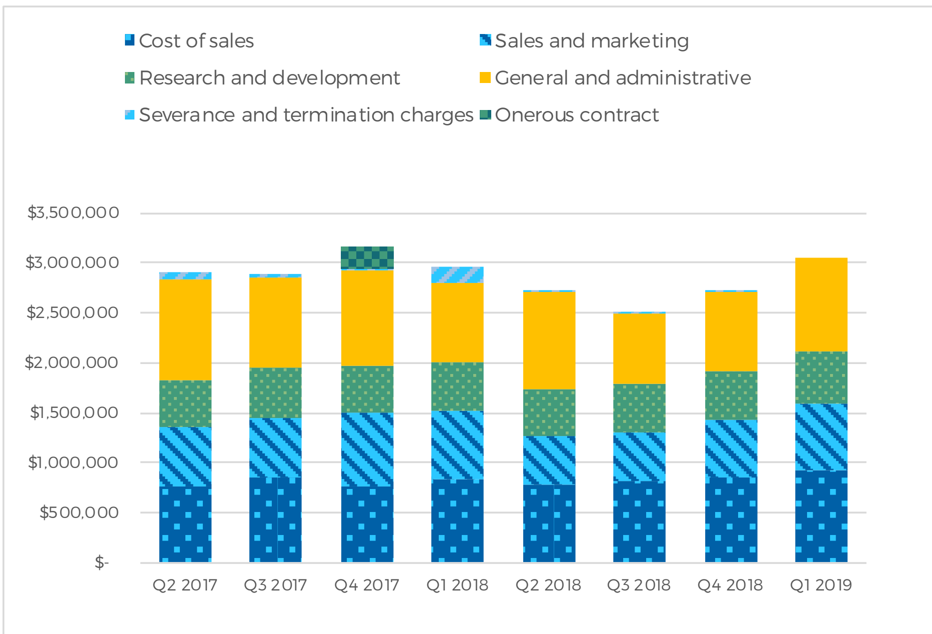
In recent years, the Company has added to the list of services provided to our customer to include process improvement consulting, onboarding programs and campaigns and integration specializations which will be charged out on a time and material basis. With the acquisition of Powervision the Company will be able to provide a broader range of product offerings and expects that the project management fees will grow as additional customers require ongoing customizations for their specific needs.

Other revenue is partnership commissions associated with general accounting factoring arrangements with suppliers. This revenue has also experienced steady growth in recent quarters.

QUARTERLY EXPENSES

Total expenses for Q1 2019 increased by 4% or $0.1 million from Q1 2018. The increase is attributable to increases in general and administrative, costs of sales and research and development partially offset by decreases in sales and marketing, and severance and termination charges. The below table summarizes all expenses for the first quarter of F2019.

	Q1 2019	Q1 2018	% Change
Expenses			
Cost of sales	**$ 925,357**	$ 832,300	11%
Sales and marketing	**663,631**	689,969	(4%)
Research and development	**529,640**	477,587	11%
General and administrative	**940,807**	797,419	18%
Severance and termination charges	-	155,922	(100%)
	$ 3,059,435	**$ 2,953,197**	**4%**



With the recent acquisition of Powervision and additional product offerings, the Company's sales team will be able to offer more breadth of products to potential and existing customers to meet their priorities.

The Company continually reviews all expenses to ensure a return of investment at required levels is achieved. Cortex expects there will be synergies going forward with the Powervision acquisition.

COST OF SALES & GROSS PROFIT

	Q1 2019	Q1 2018	% Change
Cost of sales	**$ 925,357**	$ 832,300	11%
As a percentage of revenue	**28%**	26%	1%
Gross profit	**$ 2,410,175**	$ 2,402,373	0%
Gross profit %	**72%**	74%	(2%)

Cost of sales includes costs directly related to recognized revenue in the period. This includes professional services salaries, customer onboarding and support salaries, amortization of intangible assets, third party service provider and revenue sharing costs, credit card fees and a proportionate allocation of sustainment and corporate expenses, including rent, repairs & maintenance, infrastructure costs and stock option expenses.

Cost of sales increased in Q1 2019 by $0.1 million or 11% from Q1 2018 due mainly to amortization of intangibles assets relating to the Powervision acquisition.

Cortex's ongoing core strategy is to increase buyers and suppliers on its Network and to have minimal churn after acquiring new customers. New buying organizations that join the Network, will inevitably add additional suppliers and connect existing suppliers to additional delivery points by increasing their buyer connections on the Network. As the Network matures, higher automation will occur while reducing the effort required by Cortex to successfully achieve critical mass. The tools within the Company's application allow buyers to have greater success in inviting and connecting to suppliers and communicating to current suppliers on the Network.

Gross profit increased slightly in Q1 2019 but gross profit % decreased 2% from Q1 2018.

SALES AND MARKETING

	Q1 2019	Q1 2018	% Change
Sales and marketing	**$ 663,631**	$ 689,969	(4%)
As a percentage of revenue	**20%**	21%	

Sales and marketing expenses consist primarily of salaries and related expenses for our sales and marketing staff in both Canada and the US. This includes sales commissions paid or accrued in the period, a proportionate allocation of corporate expenses based on head count, including rent, repairs & maintenance, infrastructure costs.

Sales and marketing expenses decreased slightly in Q1 2019 by less than $0.1 million or 4% from Q1 2018 . Additionally, as a percentage of revenue, sales and marketing decreased from 21% in Q1 2018 to 20% in Q1 2019. This decrease is a result of lower commissions paid than previous year.

Sales and marketing expenses are expected to increase with variable based compensation and other sales and marketing initiatives in F2019. Sales and marketing expenses are not expected to increase significantly as a percentage of revenue.

RESEARCH AND DEVELOPMENT

	Q1 2019	Q1 2018	% Change
Research and development	**$ 529,640**	$ 477,587	11%
As a percentage of revenue	**16%**	15%	

Research and development expenses include the costs of our development resources and related expenses, quality assurance salaries and a proportionate allocation of corporate expenses based on head count, including rent, repairs & maintenance, infrastructure costs and stock option expenses.

Research and development increased in Q1 2019 by $0.1 million or 11% from Q1 2018. Additionally, as a percentage of revenue, research and development increased in Q1 2019 to 16% from 15% in Q1 2018. This increase is attributable to the Company investing in development resources to create our workflow approval product and improve our Network.

Research and development expenses are expected to continue to increase slightly in F2019 due to new hiring of staff to help support the new product lines acquired and already developed in the past few months.

GENERAL AND ADMINISTRATIVE

	Q1 2019	Q1 2018	% Change
General and administrative	**$ 940,807**	$ 797,419	18%
As a percentage of revenue	**28%**	25%	

General and administrative expenses ("G&A") include public company costs, professional fees including audit, tax and legal, corporate and board compensation, corporate travel and social functions along with a proportionate allocation of corporate expenses based on head count, including rent, repairs & maintenance, infrastructure costs and stock option expenses.

G&A increased in Q1 2019 by $0.1 million or 18% from Q1 2018. This increase is due mainly to additional non-recurring expenses incurred for the acquisition of Powervision.

G&A are expected to remain consistent but may vary based on share-based compensation decisions for F2019 along with ongoing review and negotiations with vendors.

SEVERANCE AND TERMINATION CHARGES

	Q1 2019	Q1 2018	% Change
Severance and termination charges	**$ -**	$ 155,922	(100%)
As a percentage of revenue	**0%**	4.8%	

Severance and termination charges decreased in Q1 2019 by $0.2 million or 100% from Q1 2018. Q1 2018 had an executive severance charge which did not reoccur in Q1 2019.

NET INCOME

The Company's net income for Q1 2019 improved by approximately $0.8 million or 288% from Q1 2018.
The significant items impacting the change between fiscal years were:

- Improved revenue growth resulting in a 3% increase in revenue due mainly from recurring access fees.
- Total expenses were higher by 4% mainly due to Powervision transaction costs.
- Income tax recovery of $0.8 million upon recognition of additional deferred tax asset related to the acquisition of Powervision.

INCOME TAXES

For the quarter ended October 31, 2018, the Company is not cash taxable. At October 31, 2018, the Company had approximately $51 million of non-capital losses to carry forward to reduce future year's taxable income in Canada and $0.4 million in the U.S. These Canadian non-capital losses begin to expire in 2026. As it is more likely than not the company will start using some of these non-capital losses in future periods, Cortex has recorded a deferred tax asset on its balance sheet as of Q1 F019 of $2.7 million based on expected future taxable income.

SHARE CAPITAL

Cortex issued no common shares during Q1 2019 compared to 21,158 common shares issued during Q1 2018.

The number of common shares issued and outstanding at October 31, 2018 was 9,137,700 and December 5, 2018 is also 9,137,700. The Company had 149,620 Deferred Share Units outstanding at October 31, 2018 and 149,620 at December 4, 2018.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2018, Cortex Business Solutions Inc. held $4.0 million in cash and $60,773 in short-term investments, compared to $8.2 million and $60,000, respectively, at July 31, 2018. The Company had trade accounts receivable of $0.8 million at October 31, 2018 compared to trade accounts receivable of $0.6 million at July 31, 2018. The increase of $0.2 million is attributable to Powervision's trade accounts receivable that was acquired.

The Company continues to maintain a diligent collections process. None of the accounts receivables is under dispute by the customer but due to regular credit risks and detailed review of ongoing customer risk, the Company has set up $56,412 as an allowance for doubtful accounts at October 31, 2018.

The Company has a current working capital of $2.0 million compared to $7.7 million at July 31, 2018. The decrease in working capital from Q4 F2018 to Q1 2019 was the result of the acquisition of Powervision. Cash was partially used to fund the acquisition which lowered working capital. Cash provided by operating activities for Q1 2019 improved by 52% to $0.5 million from $0.3 million in Q1 2018.

The Company has a detailed budgeting and forecast process to assist in determining the funds required to ensure appropriate capital is available to meet its working capital and growth objectives. The Company strives to maintain sufficient capital to meet its short-term business requirements taking into its working capital commitments, planned capital expenditures and its available cash. The Company has an approved budget in place annually including expected revenue and expense targets for the fiscal year ended July 31, 2019. This budget is continuously monitored and adjusted as a new forecast throughout the fiscal year and reviewed with Management and the Board of Directors.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Company has various operating leases mainly for its office space expiring at August 1, 2022.

The following is the minimum annual fiscal obligations, while excluding the share of operating costs relating to office space as at October 31, 2018:

Year	Amount
F2019	257,627
F2020	124,649
F2021	124,649
F2022	94,709
Total	**$ 601,634**

BUSINESS RISKS AND UNCERTAINTIES

The Company's activities expose it to a variety of risks that arise because of its normal course of business. The Board of Directors oversee Management's establishment and execution of risks management.

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, potential local and global economic downturns, exchange rate fluctuations, future acquisitions, requirements for additional financing, , credit risk, volatility of our share price, product and geographic concentration in conjunction with the limited range of services that provided, dependence on a small number of large revenue customers, ability to protect our intellectual property, potential vulnerability to computer and information systems security breaches, competition from third parties, rapid technological changes, 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 recently filed on November 7, 2018. This document can be found on the SEDAR website www.sedar.com.

USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated annual 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 and assumptions.

Estimates and assumptions 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 known. Accounting estimates will, by definition, seldom equal the actual financial 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.

INCOME TAX

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized and/or realizable. For October 31, 2018, Management determined the future realization of an estimated portion of its deferred income tax assets did meet the threshold of being probable and as such, recognized a deferred income tax asset in the consolidated statement of financial position.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS AND GOODWILL

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 to calculate the present value. No impairments of non-financial assets have been recorded for the three months period ended October 31, 2018 or October 31, 2017.

USEFUL LIFE OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

VALUATION OF ACCOUNTS RECEIVABLE

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts. During this review, historical experience, the age of the receivable balance, the credit worthiness of the customer and the reason for delinquency are considered. See discussion of IFRS 9 for further details.

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 2017 Annual General Meeting on December 5, 2017. 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, 2018 was 550,148 and at October 31, 2017, 587,032 with a weighted average exercise price of $3.62 and $3.98 respectively. The amounts exercisable for the same periods were 347,021 and 288,079, respectively, with a weighted average exercise price of $3.63 and $4.92 respectively. At December 4, 2018, the Company had 365,163 stock options exercisable and 541,622 stock options issued and outstanding.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In the preparation of these Condensed consolidated interim financial statements, the Company has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can influence the amounts recognized in the Condensed consolidated interim financial statements.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments

On August 1, 2018, Cortex adopted IFRS 9 using the modified retrospective approach. The Company has classified its financial instruments into the appropriate IFRS 9 categories. Cortex's existing financial instruments as at August 1, 2018 were reviewed and assessed. There was no impact from this reclassification.

Cortex applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at October 31, 2018 incorporates forward looking forward information.

Cash and cash equivalents and long-term receivables are also subject to the impairment requirements of IFRS 9, however the identified impairment loss was immaterial.

IFRS 15 Revenue from contracts with customers

On August 1, 2018, Cortex adopted IFRS 15 using the modified retrospective approach and cumulative effect method. The cumulative effect of adopting IFRS 15 did not result in a material impact on prior period financial information. Therefore, comparative information is not restated and continues to be reported under the previous revenue standards in effect during those periods.

IFRS 15 provides a single, comprehensive revenue recognition model to replace the separate standards that exist and improve comparability within industries. The model features a contract-based five step analysis of transactions 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.

Cortex sells its services on a stand-alone basis or as a bundled solution with separately identifiable performance obligations that add value to the customer on a stand-alone basis. For bundled transactions, each distinct performance obligation is recognized separately at its assessed transaction price. When the fair value cannot be determined for a performance obligation, 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.

The Company disaggregates revenue by performance obligation in the Condensed consolidated interim statement of income and comprehensive income.

Recent accounting pronouncement

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

IFRS 16 Leases

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

“Joel Leetzow” (signed)	“Jason Baird” (signed), CPA, CA
President and CEO	VP Finance & CFO

CORPORATE INFORMATION

EXECUTIVE OFFICERS

Joel Leetzow
President and Chief Executive Officer

Jason Baird
VP, Finance and Chief Financial Officer

Chris Lambert
VP, Technology

Andrew Stewart
VP, Customer Experiences

BOARD OF DIRECTORS

Grant Billing (1) (2) (3)
Chairman of the Board

Randy Henderson (1) (2) (3)
Chairman, Audit

Mark Ripplinger (1) (2) (3)
Chairman, Compensation

Andrew Gutman (1) (2) (3)
Chairman, Corporate Governance

Alice Reimer (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 LLP
Calgary, Alberta

TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

HEAD OFFICE

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