# Cortex Business Solutions Inc.

## 2014 Annual Management's Discussion and Analysis

# Management's Discussion & Analysis

November 27, 2014

*The following management's discussion and analysis ("MD&A") should be read in conjunction with Cortex Business Solutions Inc. ("Cortex" or the "Company") consolidated financial statements as at and for the year ended July 31, 2014. 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 November 27, 2014.*

*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 web site at www.cortex.net.*

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

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

# Fiscal 2014 Financial and Operational Highlights

## Operational Highlights

The fiscal year ended July 31, 2014 (“F2014”), was an exceptional year for Cortex highlighted with a 46% top line growth and 19% transactional growth. The Company saw accelerated quarter over quarter growth throughout the year with record revenues in the fourth quarter of $2,812,040 (Q4 F2013 - $1,623,933) a 73% growth. Cortex continues to focus on innovative new product lines which include collaborative efforts with partners and existing customers of the Company to enhance the portal. These enhancements will include Company profiling, invites to the Network, various on-line reporting and *functionality to assist in market trends and customer demands.*

During the fourth quarter of 2014, management revisited a certain contract that the Company entered into during fiscal 2009 (the “Agreement”). As a result, the Company determined a restatement was required and as such has restated its F2013 (with F2012 comparatives) and Q1, Q2 and Q3 F2014. The restatement details including impact can be found in the restated consolidated financial statements and MD&A on SEDAR. The restatement did not impact cash flows of the Company and improved net loss for each of the restated periods. The restatement impacted commissions and credit cards, finance income (expense), accounts payable, accrued liabilities, deficit, and rebate provision.

The rebate provision restatement was the result of a contract entered into by the Company in 2009 designed to secure the commitment of the Company’s first large buying organization as an anchor client. This contract enabled the Company to work with this buying organization to further assist the Company's growth strategy, and resulted in that buying organization onboarding their supply chain to the Network. The contract had a provision for a 5% rebate to be paid to the anchor client at a rate of 5% of total future revenues until a maximum of $2,300,000 was rebated.

In F2014 Cortex continued market success with the signing of new buying organizations (“Hubs”), growing transaction volumes and revenue. The Company continues to establish itself as a significant player in the relatively new eInvoicing industry.

The F2014 operational highlights are:

- During F2014 19 Buying Organizations became active on the Network for a total of 75 on the Network compared to 56 at July 31, 2013, an increase of 34%.
- Total Revenue in F2014 was $8,977,343 which was an improvement of 46% over F2013 (6,164,138) .Access and usage fees grew 41% F2014 over F2013, an increase of $2,213,100.
- An increase in billable transactions year over year of 26%. During F2014 there were 4,543,056 billable transactions compared to 3,596,025 in F2013.
- Net cash used in operating activities improved from $(6,213,062) in F2013 to $(4,472,853) in F2014, an improvement of 29%.
- Cash on hand at the end of Q4 F2014 was $9,547,661, compared to $10,669,125 at the end of Q3 F2014. During Q4 F2014 the Company had an outflow $1,121,462 of which, $426,332 was the annual rebate payment leaving $695,130 as the outflow net of rebate.

- The Company closed its short form prospectus for aggregate gross proceeds of $10,000,000. Under the Offering, a total of 100,000,000 common shares were issued at a price of $0.10 per common share.

## Description of Business

Cortex Business Solutions Inc. is a leading eCommerce service company that improves efficiencies, reduces costs and streamlines procurement and supply chain processes for its customers. Accessing the Cortex Network enhances the exchange of business critical documents, such as purchase orders, receipts and invoices resulting in improved cash flow management and business controls, while reducing days outstanding and administrative costs. Cortex provides a low cost, low risk solution that can be implemented quickly by leveraging its customers' existing business environment evolving business.

Cortex products and services are non-intrusive and allow our customers the freedom to leverage and optimize their existing processes and information technology assets when it makes the best business sense for them. This approach improves the productivity, cash flow and profitability of our customers, while avoiding the risk and delays associated with large information technology or business process re-engineering initiatives.

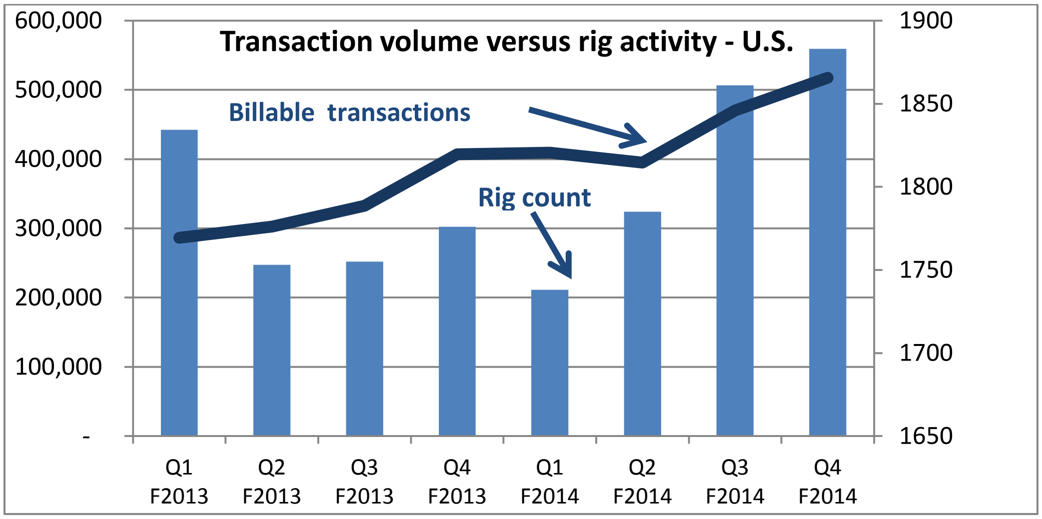
The following table illustrates the growth in some key metrics:

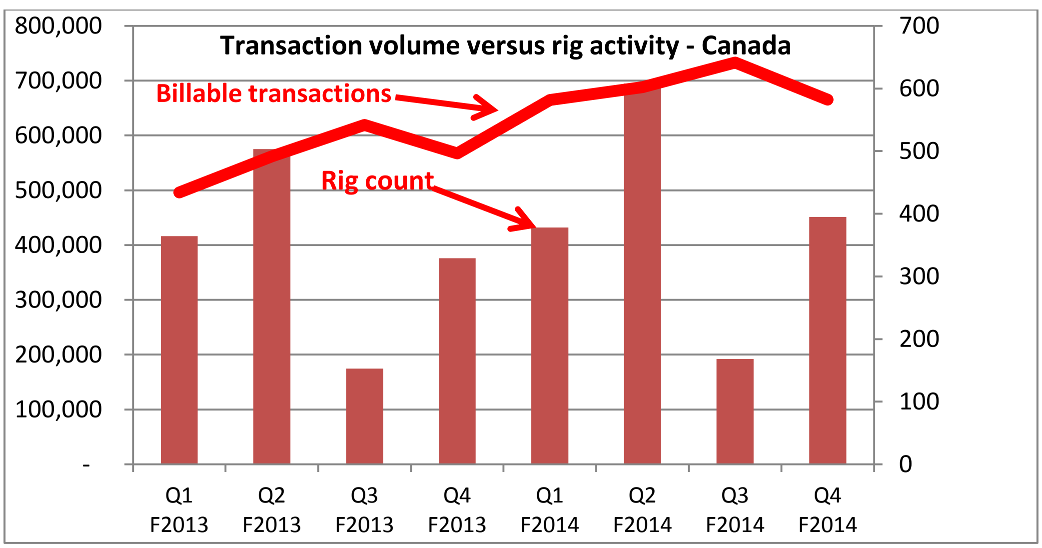
| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Buyer Integrations** | Q4 | % Change | Q3 | % Change | Q2 | % Change | Q1 | % Change |
| Completed | 75 | 9% | 69 | 11% | 62 | 3% | 60 | 7% |
| In Progress | 14 | | 13 | | 19 | | 18 | |
| | 89 | 9% | 82 | 1% | 81 | 4% | 78 | 5% |
| Billable Transactions | 1,182,665 | -2% | 1,203,283 | 11% | 1,082,982 | 1% | 1,074,126 | 10% |
| Total documents exchanged | 3,279,344 | 1% | 3,231,611 | 6% | 3,039,967 | 1% | 3,000,632 | 15% |

In F2014, 3 hubs left the network; 1 went out of business, 1 merged with another company and 1 changed their Accounting System and went back to manual invoicing.

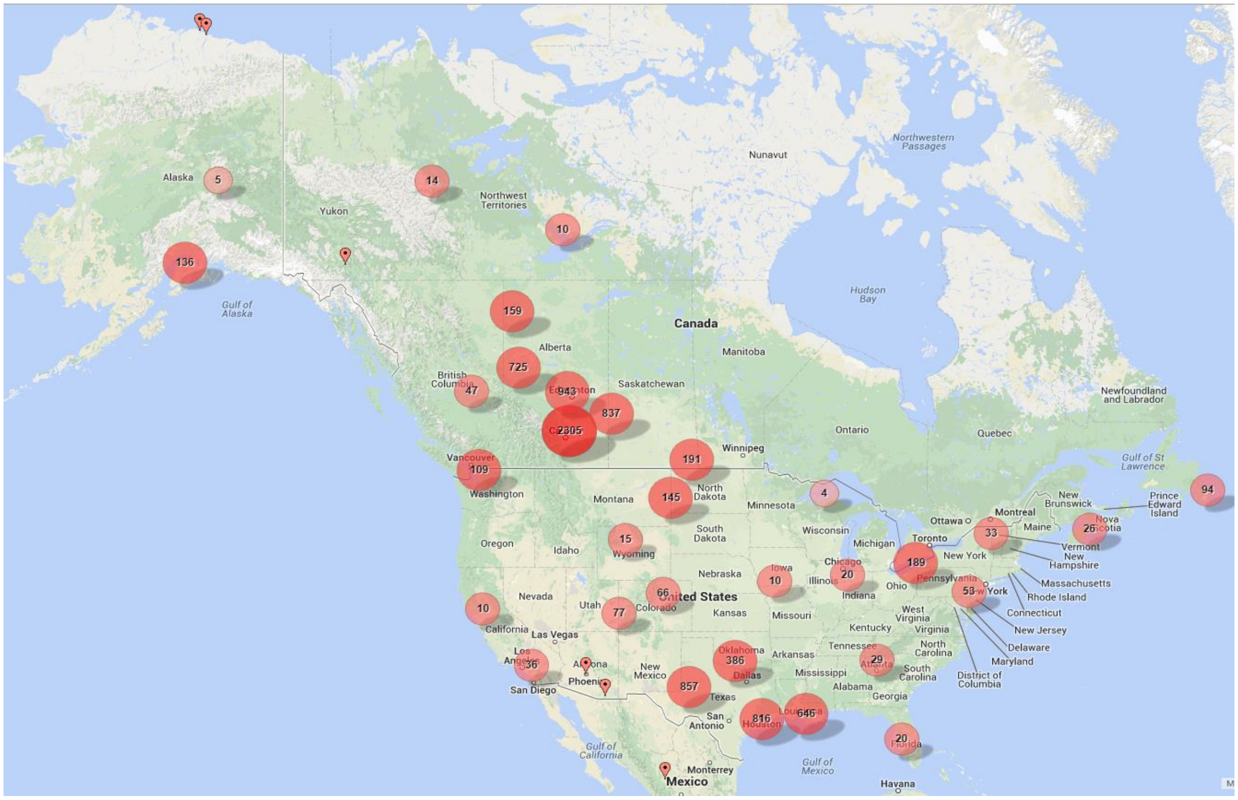
Rig utilization, in both Canada and the US, impact the number of transactions between buying organizations and suppliers in the oil and gas industry. The number of active rigs in both Canada and the US has rebounded in calendar 2014 over a less active year in 2013 as shown in the graphs below.

In fiscal 2014, the accelerated growth of the network and expansion into the US resulted in an overall increase in network transactions and Access and Usage fee revenue during the Canadian spring break up timeframe. Our Canadian operations and customers make up 63% of our recurring revenue, and as such, increases and decreases in network activity in Canada can impact transactions and revenue quickly.



The Company will continue to expand its presence where costs are justified based on demand and the potential for increased revenue.  Currently, both Canada and the U.S. show strong pipelines for growth opportunity.  The pipeline opportunities resulting from the Company's initial investment into the US expansion combined with the size of the opportunity led to the decision to increase the sales and delivery organization in the US during 2014. The company expects the expanded team to be at full capacity during 2015.



# FINANCIAL PERFORMANCE REVIEW AND ANALYSIS

## Selected Annual Information

The following table presents selected annual information for the years ended July 31, 2014, 2013 and 2012.

| | 2014 | 2013 | % Change | 2013 | 2012 | % Change |
|---|---|---|---|---|---|---|
| *Access and usage* | $ 7,673,009 | $ 5,459,909 | 41% | $ 5,459,909 | $ 4,093,869 | 33% |
| *Integration and set up* | $ 631,556 | $ 704,229 | (10%) | $ 704,229 | $ 843,448 | (17%) |
| *Project management* | $ 672,778 | $ - | 100% | $ - | $ - | 100% |
| **Total Revenue** | $ 8,977,343 | $ 6,164,138 | 46% | $ 6,164,138 | $ 4,937,317 | 25% |
| **Total Expenses** | $ 14,872,530 | $ 13,046,948 | 14% | $ 13,046,948 | $ 14,033,766 | (7%) |
| **Finance income (expense)** | $ 8,087 | $ 5,506 | 47% | $ 5,506 | $ (19,983) | (128%) |
| **Net Loss** | $ (5,887,100) | $ (6,877,304) | (14%) | $ (6,877,304) | $ (9,116,432) | (25%) |
| **Total Assets** | $ 14,795,495 | $ 10,800,573 | 37% | $ 10,800,573 | $ 11,348,304 | (5%) |
| **Total long-term financial liabilities** | $ 754,395 | $ 1,274,600 | (41%) | $ 1,274,600 | $ 1,618,297 | (21%) |
| **Cash Dividends** | $ - | $ - | N/A | $ - | $ - | N/A |

The Company has reviewed its current financial statement presentation and has decided to change the presentation to provide a more meaningful comparison to organizations with similar revenue and expense profiles. This presentation is also a better indicator of the strength of the business, highlighting the current margin of the business and the impact of revenue growth on the margin.

## Revenue

The foundation for the Company's revenue is the recurring access and usage fee revenue. The access and usage revenue streams grew 41% from F2014 over F2013 as compared to revenue growth from F2013 over F2012 of 33%. The Company continues to see impressive growth in the transactional revenue and is encouraged by this continuing trend. This growth is attributable to additional Hubs being available for transactions on the Network (34% increase in active Hubs on the Network as of July 31, 2014 compared to July 31, 2013).

| | 2014 | 2013 | % Change |
|---|---|---|---|
| Access and usage | $ 7,673,009 | $ 5,459,909 | 41% |
| Integration and set up | $ 631,556 | $ 704,229 | -10% |
| Project management | $ 672,778 | $ - | 100% |
| | $ 8,977,343 | $ 6,164,138 | 46% |

The Company earns three types of revenue from its Network.

**Access and Usage Fees**

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

Access and usage fees revenue continues to show strong growth showing a 41% growth from F2013 to F2014. The growth of the access and usage fees revenue is a combination of buying organizations going live in the twelve month period, additional suppliers added to the Network, and additional transactions flowing through the Network as a result of combination of these factors. The access and usage fees revenue has three distinct revenue streams; workbench, integration and hub access and usage fees. Of these lines, the integration stream growth was the strongest.

**Integration and Set up Fees**

Integration fees revenue is recognized over the integration project on a percentage of completion based on the provision of services provided. Set-up fee revenue is deferred and recognized as revenue over a one year period representing the estimated term of a contract with a customer.

The integration and set-up fees revenue stream continue to fluctuate dependant on integrations projects timelines, completion and the number of net new suppliers joining the Network in the year paying the initial set-up fee. The deferred revenue for integration projects are recognized during specific milestone phases of the project and upon completion of the project all the set up fees are recognized and the customer starts transacting utilizing the integrated solution resulting in recurring monthly access and usage fees revenue. Integration and set-up fees revenue decreased $72,673 or 10% for F2014.

**Project Management Fees**

Project management fees are recognized as services are performed. These fees are deferred upon receipt and recognized as the project is completed in line with specific deliverables as defined in the contract.

## Expenses

During the fiscal year ended July 31, 2014, the Company continued to focus on growth related activities, with the main focus being movement to the United States ("US"). As a result, there were increased expenditures as the Company grew its sales and delivery teams in the US.

| | 2014 | 2013 | % Change |
|---|---|---|---|
| **Expenses** | | | |
| *Cost of sales* | $ 5,757,401 | $ 3,880,606 | 48% |
| *Sales and marketing* | $ 3,218,063 | $ 3,823,011 | (16%) |
| *Research and development costs* | $ 1,493,684 | $ 1,472,637 | 1% |
| *General and administrative* | $ 4,403,382 | $ 3,870,694 | 14% |
| | $ 14,872,530 | $ 13,046,948 | 14% |

Total expenditures for F2014 increased 14%, due to increases in costs of sales and general administration. See below for details.

**Cost of Sales & Gross Profit**

| | F2014 | F2013 | % Change |
|---|---|---|---|
| **Total Revenue** | $ 8,977,343 | $ 6,164,138 | 46% |
| | | | |
| **Cost of sales, as reported** | $ 5,757,401 | $ 3,880,606 | 48% |
| As a percentage of revenue | 64% | 63% | |
| **Gross Profit** | $ 3,219,942 | $ 2,283,532 | 41% |
| Gross Profit % | 36% | 37% | |
| **Less:** | | | |
| **Amortization** | $ 1,068,313 | $ 459,619 | 132% |
| | | | |
| **Cost of Sales, net of amortization** | $ 4,689,088 | $ 3,420,987 | 37% |
| As a percentage of revenue | 52% | 55% | |
| **Gross profit, net of amortization** | $ 4,288,255 | $ 2,743,151 | 56% |
| Gross profit%, net of amortization | 48% | 45% | |
| | | | |

Cost of Sales includes all costs directly related to recognized revenue in the period. This includes delivery salaries, customer on boarding and support salaries, amortization of intangible assets and the proportionate stock option expenses.

The Company has broken out cost of sales, net of amortization, as it improves the comparability of cost of sales on an annualized basis.

The gross profit is consistent year over year from 37% in F2013 to 36% in F2014. The increased revenue is offset by the increase in amortization. The gross profit with the impact of amortization removed increased 3% from 45% to 48%. This is a direct result of the revenue increase F2014 over F2013 while maintaining costs reasonably flat.

Management has reviewed its amortization policy with respect to the intangible software and has accelerated the amortization of the Canadian development in alignment with the US development. The net result is an increase in amortization of 132% F2014 over F2013 or $608,694. The amortization is a non-cash item with no impact to the cash flow of the organization.

The cost of sales of the organization, net of amortization, increased 37% F2014 over F2013. Commissions to partners increased $130,160 in the year or 152% (F2014 - $215,994; F2013 - $85,833). The product delivery teams were expanded during F2014 to handle increased sales from the US and Canada. The US delivery expenses increased $386,218 while the Canadian delivery expenses increased $608,599. The AP Services costs increased 1551% or $178,003, F2014 over F2013. This was in line with a large AP services backlog project carried out in the year. The corresponding revenue is included in project management fees for the backlog project and access and usage fees for recurring revenue streams from AP services.

**Sales and Marketing**

| | 2014 | 2013 | % Change |
|---|---|---|---|
| **Sales and marketing** | $ 3,218,063 | $ 3,823,011 | (16%) |
| As a percentage of revenue | 36% | 62% | |

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

The Company has allocated sales and marketing expenditures into one line item. This amount was down 16% ($604,948) F2014 over F2013. Towards the end of F2013 we reduced our sales team in Canada due to gains in productivity and improved pipeline management. Near the end of F2014 the Company began to grow it's sales and delivery team in the US, the expenses in this area are anticipated to grow in F2015 as long as the revenue from these initiatives are realized.

**Research and Development**

| | 2014 | 2013 | % Change |
|---|---|---|---|
| **Research and development** | $ 1,493,684 | $ 1,472,637 | 1% |
| As a percentage of revenue | 17% | 24% | |

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

During the Fiscal 2014 the expenditures on research and development increased 1% F2014 over F2013 ($21,047).

During F2014 capitalized salaries for intangible software development was reduced from $1,667,468 in F2013 to $295,297 in F2014. This was the result of the Company completing the work on its Roadmap program in F2014.

**General and Administrative**

| | 2014 | 2013 | % Change |
|---|---|---|---|
| **General and administrative** | $ 4,403,382 | $ 3,870,694 | 14% |
| As a percentage of revenue | 49% | 63% | |

General and Administrative expenses consist of salaries and related expenses for finance, legal, human resources, legal costs, professional fees, other corporate expenses and a proportionate allocation of rent and stock option expenses.

Expenditures in this area increased 14% or $532,688 F2014 over F2013. The principal component of this increase was the change in executive compensation in the year. In prior years the executive team was paid similar to other employees with the annual bonus paid 50% cash and 50% shares. In 2014 this changed to 100% equity and no cash component. This resulted in a $336,375 increase in non-cash accrual of share based compensation for the executive leadership team.

## Net loss

The Company's net loss for the year ended July 31, 2014 improved 14% compared to July 31, 2013 (F2014 – $5,887,100; F2013 - $6,877,304).

This significant items impacting net loss were:

- Improved revenues of $2,813,205 for F2014 over F2013;
- Increase in project management revenues of $672,778 for F2014 over F2013;
- Increase in amortization of intangibles of $608,694 F2014 over F2013;

The U.S. expansion strategy will continue to have travel and employee costs associated with net new sales opportunities. Management will constantly review its successes in the U.S to ensure appropriate utilization of cash and resources.

## Quarterly information

| | Total Revenue | Access and Usage fees revenue | Net Loss | Basic and diluted loss per share |
|---|---|---|---|---|
| **2014** Quarter Four | $2,812,040 | $2,117,717 | $(1,619,615) | $(0.01 |
| Quarter Three | $2,390,652 | $2,070,174 | $(1,613,556) | $(0.01) |
| Quarter Two | $1,984,069 | $1,829,303 | $(1,189,990) | $0.00 |
| Quarter One | $1,790,582 | $1,655,815 | $(1,463,939) | $(0.01) |
| **2013** Quarter Four | $1,623,934 | $1,464,519 | $(1,533,242) | $(0.01) |
| Quarter Three | $1,634,469 | $1,439,219 | $(1,736,711) | $(0.01) |
| Quarter Two | $1,502,193 | $1,318,275 | $(1,827,252) | $(0.01) |
| Quarter One | $1,403,542 | $1,237,896 | $(1,780,099) | $(0.01) |

## Quarter ended July 31, 2014

## Revenue

The Company was able to realize 18% growth in Q4 F2014 over Q3 F2014, as well as a 73% growth Q4 F2014 over Q4 F2013. This was significant since historically the fourth quarter is not the strongest quarter for Cortex as the continuation of spring breakup impacts the rig utilization in Canada thereby impacting the transactions volumes of our customers in Canada.

| | Q4 2014 | Q4 2013 | Change | % Increase (Decrease) |
|---|---|---|---|---|
| Access and usage fees | $2,117,717 | $1,464,519 | $653,198 | 45% |
| Integration and set-up fees | 115,804 | 159,414 | (43,610) | (27)% |
| Project management fees | 578,519 | Nil | 578,519 | 100% |
| Total Revenue | $2,812,040 | $1,623,933 | $1,188,107 | 73% |

The total revenue increase was 73% Q4 F2014 over Q4 F2013 (Q4 F2014 - $2,812,040; Q4 F2013 - $1,623,933). The largest contributor to this increase was the access and usage fees revenue of 45% (Q4 F2014 - $2,117,717; Q4 F2013 - $1,464,519). The Company continues to focus on additional ways to increase this recurring revenue growth through additional signing of buying organizations, additional transactions per supplier on the Network and secondary service offerings.

In addition the company completed a large AP Service initiative in the U.S. which resulted in $578,519 in revenue.

Integration and set-up fees revenue declined 27% Q4 F2014 over Q4 F2013 ($43,610) and 50% ($115,990) Q4 F2014 over Q3 F2014. Fewer projects moved stages in Q4 F2014 than Q4 F2013.

## Expenses

| | 2014 | 2013 | % Change |
|---|---|---|---|
| **Expenses** | | | |
| *Cost of sales* | $ 2,168,406 | $ 866,883 | 150% |
| *Sales and marketing* | $ 877,833 | $ 844,459 | 4% |
| *Research and development costs* | $ 519,193 | $ 592,371 | (12%) |
| *General and administrative* | $ 877,175 | $ 860,324 | 2% |
| | $ 4,442,607 | $ 3,164,037 | 40% |

The total expenses increased 40% Q4 F2014 over Q4 F2013 ($1,278,570). The largest increase was in the cost of sales line. The "sales and marketing, research and development and general and administrative" expense lines changes 4%, (12)% and 2% respectively. The details of these movements for the quarters are highlighted below.

**Cost of Sales & Gross Profit**

| | Q4 F2014 | Q4 F2013 | % Change |
|---|---|---|---|
| **Total Revenue** | $ 2,812,040 | $ 1,623,933 | 73% |
| | | | |
| **Cost of sales, as reported** | $ 2,168,406 | $ 866,883 | 150% |
| As a percentage of revenue | 77% | 53% | |
| **Gross Profit** | $ 643,634 | $ 757,050 | (15%) |
| Gross Profit % | 23% | 47% | |
| **Less:** | | | |
| **Amortization** | $ 425,634 | $ 114,905 | 270% |
| | | | |
| **Cost of Sales, net of amortization** | $ 1,742,772 | $ 751,978 | 132% |
| As a percentage of revenue | 62% | 46% | |
| **Gross profit, net of amortization** | $ 1,069,268 | $ 871,955 | 23% |
| Gross profit%, net of amortization | 38% | 54% | |

The gross profit decreased from 47% in Q4 F2013 to 23% in Q4 F2014. This will improve once the intangibles have been fully amortized by the end of fiscal 2016.

Cost of sales, net of amortization, increased 132%. It is important to clarify the impact net of amortization, as amortization was accelerated in the year and will be gone by end of F2016. The remaining increase in cost of sales is due to the AP Services cost increase, mostly with relation to a backlog AP services project which will not continue through to F2015. In addition, the increase in the delivery organization in the U.S. was ramped up in Q4 F2014.

**Sales and Marketing**

| | Q4 F2014 | Q4 F2013 | % Change |
|---|---|---|---|
| **Sales and marketing** | $ 877,833 | $ 844,459 | 4% |
| As a percentage of revenue | 31% | 52% | |

The sales and marketing line increased 4% or $33,374. This increase is in alignment with our expansion of US Sales.

As the Company continues its expansion plan into the U.S. the expectation is this line will increase until a full team is in place. The results of this specific program will be closely monitored and decisions based by management based on results.

**Research and Development**

| | Q4 F2014 | Q4 F2013 | % Change |
|---|---|---|---|
| **Research and development** | $ 519,193 | $ 592,371 | (12%) |
| As a percentage of revenue | 18% | 36% | |

The research and development costs decreased 12% or $73,178 Q4 F2014 over Q4 F2013 as we wrapped up a number of initiatives in F2014. As the Company embarks on new product development initiatives this expense line is expected to increase over the short term. The corresponding revenue will be monitored and costs addressed accordingly.

**General and Administrative**

| | Q4 F2014 | Q4 F2013 | % Change |
|---|---|---|---|
| **General and administrative** | $ 877,175 | $ 860,324 | 2% |
| As a percentage of revenue | 31% | 53% | |

The general and administrative costs increased 2% or $16,851 Q4 F2014 over Q4 F2013. This increase can be attributed to the change in executive compensation from cash to equity.

## Q4 F2014

The Company's net loss for the quarter ended July 31, 2014 increased 6% (Q4 F2014 – $1,619,615; Q4 F2013 - $1,533,242).

This significant items impacting net loss were:

- Improved revenues of $1,188,107 for F2014 over F2013;
- Increase in amortization of $310,729

The Company continues to make strides in reducing costs, maintaining customer satisfaction while continuing to grow revenue. Changes are made, as required, to business strategies to adjust to market influences.

## Outlook

2014 was an important and pivotal year for both Cortex and the overall market. We have seen the marketplace mature rapidly with acceptance of supply chain automation and while our primary competition remains consistent, new entrants and accelerated investment in other verticals both validates the market opportunity and increases the importance of network growth. The Oil and Gas sector remains a coveted industry with its large spend and high transaction activity. The continued success and growth of the Cortex network with the addition of new Buying organizations will further increase the underlying value of the Cortex network. To that end, our further expansion in our US sales and delivery capacity in Q4 will allow Cortex to geographically cover more of the market opportunities. In addition, new product development continues with two important product releases scheduled in FY 2015. These new products will expand our functionality to include payments and field automation and will in the process generate new future revenue opportunities for Cortex. Capturing an increasing share of the available market during this early maturity market phase is a guiding objective for Cortex in 2015.

Transactions over the Network continued to increase F2014 over F2013. The increased functionality of Portal, allowing customers self-propagation, profiling and messaging, is creating greater participation in the Network; resulting in more connections and higher transactions. Cortex will continue to release value added functionality into the platform during F2015 that will provide additional revenue opportunities.

Cortex continues to see demand for the 100% eBilling solution and expects sales from this product line to accelerate. The first 100% eBilling customer is now live and the opportunities from this project will begin to materialize during F2015.

Management is monitoring the effects of commodity prices on the expected activity on the Network. While we have not seen an impact to date, the potential exists for organic transaction decline in F2015. Continued focus on adding new Buyers and suppliers to the network will mitigate the risk of organic decline during F2015. Management will continue to balance investment in growth with operational cash flow in F2015.

Management will continue to balance investment in sales, delivery and R&D with Cash flow in 2015. The company is starting 2015 in the strongest position ever with a healthy balance sheet, accelerated network and revenue growth and a maturing marketplace.

## Income Taxes

For the year and quarter ended July 31, 2014, the Company is not cash taxable. At July 31, 2014, the Company has approximately $48,121,000 of non-capital losses to carry forward to reduce future year's taxable income.

## Rebate Provision

Cortex Business Solutions reduced its rebate provision $378,928 from F2013 to F2014 the change is the result of a payment of $426,332 in year (F2013- $540,682) net of accretion recorded in finance income (expense) of $47,404.

## Share Capital

Cortex Business Solutions Inc. issued 102,550,052 common shares during F2014 compared to 41,886,234 during F2013. There were 65,852 shares issued on the exercise of stock options for gross proceeds of $13,480 and 100,000 shares issued in lieu of cash for commission (fair value of $16,000) on a significant account, 2,384,200 shares issued as part of the Company's Employee Performance Management Program (fair value of $381,472) and the Company closed its short form prospectus offering of common shares of the Company for aggregate gross proceeds of $10,000,000. Under the Offering, a total of 100,000,000 Common Shares were issued at a price of $0.10 per Common Share. In addition, the Underwriters received 6,000,000 compensation options at an exercise price of $0.10 for a period of twenty-four months from the date of issuance.

On June 12, 2014 1,889,560 Compensation Options issued in conjunction with the June 2012 prospectus offering to purchase common shares at $0.20 expired unexercised. There were no exercise of Compensation Units during F2014 or F2013.

The number of common shares issued and outstanding at July 31, 2014 and November 27, 2014 is 361,697,427.

## Liquidity and Capital Resources

At July 31, 2014, Cortex Business Solutions Inc. held $9,547,661 in cash and $60,000 in short-term investments, compared to $5,179,066 and $50,000, respectively, at July 31, 2013. The Company had trade accounts receivable of $425,752 at July 31, 2014 compared to trade accounts receivable of $207,994 at July 31, 2013. The Company continues to maintain a diligent collections regime. None of the accounts receivables are under dispute however, the Company has set up $10,000 as an allowance for doubtful accounts at July 31, 2014.

Cash used in operating activities was $4,472,863 in F2014 compared to $6,213,062 during fiscal 2013.

During the year ended July 31, 2014 Company used $54,212 to invest in property and equipment, specifically computer equipment, furniture and office equipment, compared to $151,668 during the year ended July 31, 2013. In addition, during the year ended 2013 the Company invested $295,297 in the upgrading of the Company's network platform, which was capitalized as an intangible assets, compared to $1,667,468 during the year ended July 31, 2013.

The Company operates a stock option plan as approved by the shareholders at the 2013 Annual General Meeting on June 10, 2014. 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 an 18 month period. The stock options granted under a previous stock option plan had vesting periods ranging from immediate vesting upon grant to 18 months. 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 July 31, 2014 was 22,596,562 and at July 31, 2013, 20,176,933 with a weighted average exercise price of $0.26 and $0.28 respectively. The amounts exercisable for the same periods were 16,788,300 and 14,428,065, respectively, with a weighted average exercise price of $0.29 and $0.31 respectively. At November 27, 2014, the Company had 17,400,034 stock options exercisable and 22,511,563 stock options issued and outstanding. At July 31, 2014 and November 27, 2014 there were 22,379,000 and 22,379,000, respectively, warrants outstanding at a weighted average exercise prices of $0.23125 and $0.23125, respectively. At July 31, 2014 and November 27, 2014 there were 9,164,090 Compensation Options/Units outstanding with a weighted average exercise price of $0.13 per Compensation Option/Unit.

The consolidated financial statements of the Company have been prepared on a going concern basis. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to realize its assets at the amounts recorded and discharge its liabilities in other than the normal course of business. The Company has reported consecutive net losses for the years ended July 31, 2014 and July 31, 2013 of $5,887,100 and $6,877,304 respectively with a cumulative deficit of $53,850,720 as at July 31, 2014. When the Company can attain profitability and positive cash flows is uncertain. The ability of the Company to continue as a going concern is dependent upon future profitable operations and may require additional debt or equity financing. The Company's cash position at July 31, 2014 is $9,547,661.

The Company will closely monitors its cash on a regular basis and will take the necessary measures to preserve cash such as reduce spending until the Company starts to generate sufficient cash flows from operations or cash from new capital sources. On February 28, 2014, the Company closed its short form prospectus offering of common shares of the Company for aggregate gross proceeds of $10,000,000. Under the Offering, a total of 100,000,000 Common Shares were issued at a price of $0.10 per Common Share. In addition, the Underwriters received 6,000,000 compensation options at an exercise price of $0.10 for a period of twenty-four months from the date of issuance.

The Company has a business plan which shows a strategy to increase revenue and control spending to the level necessary to maintain operations and achieve profitability.

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

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Contractual Obligations

The Company has entered into various operating leases for office space expiring at various dates to January 2018 and office equipment expiring at various dates to August 2014.

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

The Company's total minimum annual obligations as follows: 2015 – $336,646; 2016 - $270,621; 2017 - $280,644 and 2018 - $145,333.

## Transaction with Related Parties

During the year ended July 31, 2014, Cortex paid a company under significant influence by a director who was appointed to the board of directors in April 2014 $300,000 in cash commission and 3,000,000 Compensation Units with a fair value of $231,000 for the February 2014 prospectus offering of common shares of the company. In addition, they have been engaged in a professional capacity for consulting matters for fees up to a maximum of $200,000.

## Business Risks and Uncertainties

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

The material business risks and uncertainties are described in greater detail in the Company's' Short-Form Prospectus filed on February 21, 2014 and its Annual Information form as filed on February 3, 2014. These documents can be found on the SEDAR website www.sedar.com.

## Use of Estimates and Judgments

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

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

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

*Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Impairment for intangible assets not available for use is required to be tested for recoverability on an annual basis. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of assets have been recorded for the quarter ended July 31, 2014 or the year ended July 31, 2013.

*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.

During the fourth quarter of the year ended July 31, 2014, the Company revisited its estimate of the useful life of the Canadian platform of its software to align with its US platform. As such, the useful life of the Canadian portion of the software has been reduced by 9 quarters. The impact to the current amortization is an increase of $161,749 in the fourth quarter of the current year.

*Rebate provision*

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

*Valuation of accounts receivable*

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

*Share-based compensation*

Management is required to make certain estimates when determining the fair value of stock options awards and warrants issued including future volatility of the Company's share price, expected forfeiture rates, expected lives of the underlying securities, expected dividends and other relevant assumptions. Critical judgments in applying accounting policies

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

*Capitalized software development costs*

Software development costs are capitalized as intangible assets when costs are attributable to a clearly defined product, technical feasibility has been established, a market has been identified, the Company intends to market the software and has adequate resources expected to be available to complete the project. Management is required to make judgments on when the criteria for recognition as intangible assets is met. During the year ended July 31, 2014, $295,297 (2013 - $1,667,468) of development costs were capitalized as an intangible assets.

*Income tax*

Management is required to apply judgment in determining whether it is probable deferred income tax assets will be realized. At July 31, 2014, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable and, as such, has not recognized any deferred income tax assets in the consolidated statement of financial position.

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

*Rebate provision*

Management is required to apply judgement in determining whether it has a financial liability relating to any contracts that the Company enters into and consequently requires management to determine when the financial liability should be recorded on the consolidated statement of financial position. There may be significant judgement in determining the value of these financial liabilities as they may relate to timing of the Company’s future revenues.

## Changes in accounting policies

Recent accounting policies and new pronouncements

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on August 1, 2013. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income This amendment requires the Company to group items within other comprehensive income by those that will be subsequently reclassified to net earnings and those that will not. Accordingly, the Company has updated the presentation of other comprehensive income (loss) in the consolidated statement of loss and comprehensive loss.

Other standards and interpretations issued or amended which are effective for the first time for fiscal year ends beginning on or after August 1, 2013 but which did not have a material impact on the Company's consolidated financial statements or note disclosures as currently presented include:

New standards and interpretations

IFRS 10, 'Consolidated financial statements'

IFRS 11, 'Joint arrangements'

IFRS 12, 'Disclosure of interest in other entities'

IFRS 13, 'Fair value measurement'

Amendments to existing standards and interpretations

IFRS 7, 'Financial instruments: Disclosures'

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

Amendment to IFRS 7, 'Financial instruments: Disclosures' on derecognition In conjunction with the transition from IAS 39 to IFRS 9 for fiscal years beginning on or after January 1, 2015, IFRS 7 will also be amended to require additional disclosure in the year of transition.

IFRS 9 'Financial instruments' IFRS was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward looking 'expected loss' impairment model. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Management has not yet determined that potential impact the adoption of IFRS 9 will have on the Company's financial statements. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Re venue from contracts with customers IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers. The standard contains principles that the Company will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that Company expects to be entitled to in exchange for those goods or services. Management has not yet determined that potential impact the adoption of IFRS 9 will have on the Company's financial statements. The standard is effective for the first interim period within years beginning on or after January 1, 2017.

Amendment to IAS 32, 'Financial instruments: Presentation' The amendment clarifies the requirements for offsetting financial assets and liabilities. Specifically, the amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. This amendment is effective for fiscal periods beginning on or after January 1, 2014.

Amendment to IAS 36, 'Impairments of assets' This amendment removes the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets, but there has been no impairment. .

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| "Art Smith" (signed) | "Sandra L. Weiler" (signed) |
| President | Chief Financial Officer |