



2010 First Quarter Report

Management's Discussion & Analysis

December 18, 2009

The following discussion has been prepared by management and is a review of the consolidated operating results and financial position of Cortex Business Solutions Inc. ("Cortex" or the "Company") based upon accounting principles generally accepted in Canada. This Management Discussion and Analysis ("MD & A") should be read in conjunction with the unaudited consolidated financial statements of the Company as at and for the period ended October 31, 2009; as well as the notes thereto.

All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of December 18, 2009.

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;*
- We caution readers 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*
- We assume 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.*

First Quarter 2010 Financial and Operational Highlights

The first quarter of 2010 starts off with record recurring access and usage fee revenue for Cortex. The number of suppliers transacting and the volume of transactions on the Cortex Trading Partner Network (the "Network") continue to grow, resulting in the generation of additional access and usage fee revenue. In addition, Cortex continues to see interest in our order to cash integrated service, which generates cash flow upfront for the project, and stimulates access and usage fee revenue upon completion.

Highlights of Q1 are:

- Total revenue for the quarter ended October 31, 2009 of \$1,522,382. This is an increase of 565% over quarter ended October 31, 2008.
- Access and usage fee revenue has grown 98% or \$193,692 (2009 - \$390,660, 2008 - \$196,968) over the same quarter 2008.
- Volume of transactions flowing through the Network continues to grow, increasing 21% since fiscal year ended July 31 2009.
- Cortex has increased the number of contracted customers to over 2000, an increase of 63% since July 31, 2009.
- The Company reduced expenses \$235,863 for the quarter ended October 31, 2009 from the quarter ended July 31, 2009 (Q1 2010 - \$1,594,391, Q4, 2009 - \$1,830,254).
- The Company has a net loss per share of \$(0.001) for the quarter ended October 31, 2009. The net loss for the current quarter was \$72,009 compared to a loss of \$1,765,822 for the same quarter 2008. This is a 96% improvement in the net loss for the Company for the quarter ended October 31, 2009 compared to October 31, 2008.
- During the quarter ended October 31, 2009, the Company signed a new long term service agreement with its largest customer. The agreement includes a one year professional services agreement and a new five year service agreement with an option to extend for an additional five years.

The Company continues to successfully implement its business plan, which is resulting in strong quarter over quarter revenue growth. In this quarter, recurring access and usage fee revenue was 98% greater than the same period ended October 2008. Set up fee revenue, which leads to even stronger recurring access and usage fee revenue growth, increased to over \$100,000, from \$2,355 during the same quarter last year. This trend will accelerate in future quarters, resulting in steadily improving financial performance. The steady and continual growth of suppliers signing on to the Cortex Trading Partner Network is encouraging and aligns with the Company's business plan. This, together with the long term service agreement signed, will move Cortex closer to positive cash flow projected for the three months ended January 31, 2010.

The current economic downturn may encourage companies to focus on cost savings measures. The Company's services assists companies in this goal by providing them with an automated eProcurement solution which could assist in reducing their internal costs and improving controls.

Description of Business

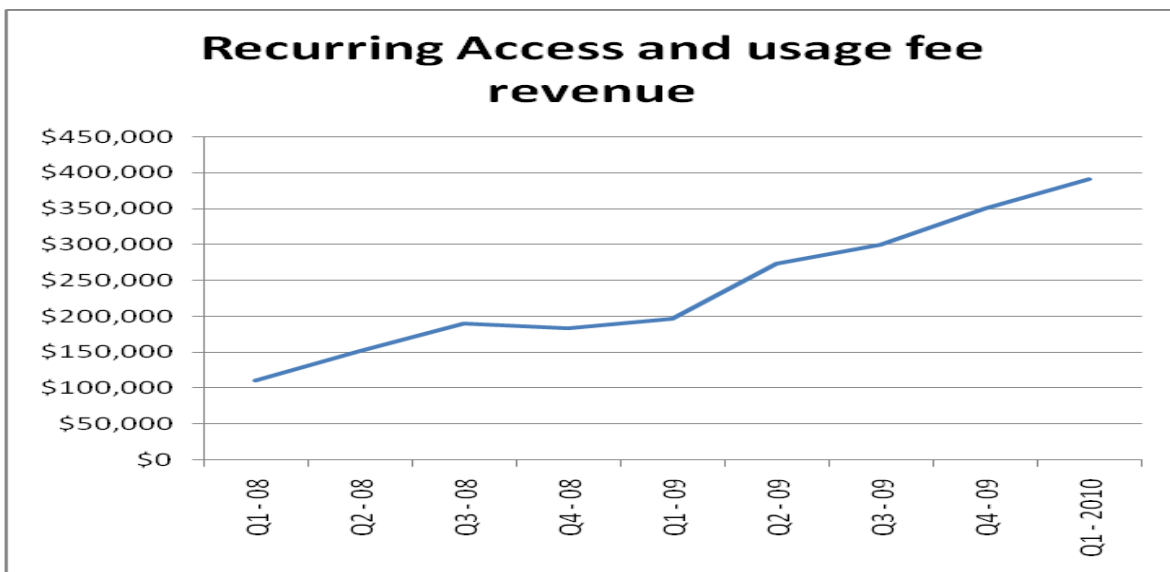
Cortex Business Solutions Inc. is a leading eCommerce service company that improves efficiencies, reduces costs and streamlines procurement and supply chain processes for its customers. Accessing the Cortex Network enhances the exchange of business critical documents, such as purchase orders, receipts and invoices resulting in improved cash flow management and business controls, while reducing day's outstanding and administrative costs. Cortex is 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 processes re-engineering initiatives.

Overview of Results of Operations

In the first quarter of fiscal 2010, the Company saw a substantial increase in overall revenue of 565% (\$1,293,569) over the same quarter last year. Of this amount, \$1,026,667 related to project management fees earned in the quarter. These project management fees related to time and services fees accrued for the quarter. The project management stream was nil for the same quarter last year.

The Company continues to realize growth in our access and usage fees which grew 98% during the three month period ended October 31, 2009 compared to the same period last year. The Company has continued to attract more suppliers to the Network with an increase in both contracted customers and customers transacting on the Network. In October 2008 there were 327 customers transacting at October 31, 2009 there were 1,233 an increase of 277%. The growth of the network and growth in transactions is starting to materialize in the form of increased access and usage fees, as expected.



The Company's revenue streams are based on the premise that our business assists companies in reducing their overhead and improving cash flow. The recent economic downturn may encourage companies to focus on these measures. As a result, Cortex does not anticipate that the current economic downturn would have a significant negative impact on our estimated revenue growth.

Selected Financial Information

The following table presents selected quarterly information for the quarters ended October 31, 2009 and 2008.

	2009	2008	\$ Change	% Increase (Decrease)
Total Revenues	\$1,522,382	\$228,813	\$1,293,569	565%
Total Expenses	1,594,391	1,994,635	(400,244)	(20%)
Net loss	(72,009)	(1,765,822)	(1,693,813)	(96)%
Net loss per share	(0.001)	(0.017)	(0.016)	(94)%
Total assets	2,904,381	4,698,623	(1,794,242)	(38%)
Total long-term financial liabilities	-	-	-	-
Cash dividends	-	-	-	-

Revenue

Revenue for the period increased 565% (October 31, 2009 - \$1,522,382; October 31, 2008 - \$228,813). During the quarter ended October 31, 2009, the Company signed a new long term service agreement with its largest customer. The agreement includes a one year professional services agreement and a new five year service agreement with an option to extend for an additional five years. This project will allow Cortex to increase some functionality in its service as well as onboard additional suppliers to the Network. The project management fees recognized during the three months ended October 31, 2009 includes professional services accrued for work performed during the quarter. Project management fees in the quarter were \$1,026,667 (2008 – nil).

Access and usage fees grew 98% during the three month period ended October 31, 2009 compared to the three month period ended October 31, 2008 (October 31, 2009 \$390,660, October 31, 2008 - \$196,968). Set-up fees increased 4,216% during the three month period ended October 31, 2009 compared to the three month period ended October 31, 2008 (October 31, 2009 – \$101,641, October 31, 2008 - \$2,355). During the three month period, the Company invoiced customers for network set-up fees of \$90,125; based on the Company's revenue recognition policy, these fees are to be amortized over the life of the contract. As Cortex completes their integration projects, the deferred revenue starts to materialize in the form of set up fee revenue. This quarter has started to see an increase in the recognition of previously deferred amounts, resulting in \$101,641 being recognized as set up fee revenue in the quarter.

As Cortex continues to bring customers onto our network, we anticipate the monthly access and usage fees will continue to increase, as well as the network set-up fees invoiced, recognized and deferred.

Expenses

Expenses for the three month period ended October 31, 2009 compared to the three month period ended October 31, 2008 decreased 20% (October 31, 2009 - \$1,594,391, October 31, 2008- \$1,994,635). The Company initiated some cost cutting measures in July 2009, which were continued through the first quarter of fiscal 2010. Salaries, employee benefits and subcontracts accounted for 76% of expenses during the current quarter, the same percentage of expenses during the same three month period ended October 31, 2008 (October 31, 2009 - \$1,215,766, October 31, 2008 - \$1,522,121). The Company's general and administrative expenses remain at 8% of overall expenses. These costs are kept to a minimum in order to focus resources on key strategic areas. The Company's rent expense in the period is 5% of total expenses, compared to 3% during the same period last year. The Company is obligated for this second lease until February 2010; the Company is currently evaluating its office space requirements.

The Company is required to value stock-based compensation expense using the Black-Scholes option-pricing model. During the quarter, this non-cash compensation expense amounted to 6% of the Company's expenses (October 31, 2009 - \$93,559, October 31, 2008 - \$190,409). With a continued focus on building a strong, competent, and successful team, the Company strives to maintain a competitive compensation structure and positive environment in which to work. Part of the current compensation structure is non-cash compensation. This will reserve financial resources for additional product development, infrastructure and capital requirements.

Net Loss

The Company's net loss for the quarter ended October 31, 2009 was reduced by 96% (October 31, 2009 - \$72,009; October 31, 2008 - \$1,765,822). The Company is encouraged by the strides made in reducing the net loss in the current quarter. With the continued strategic focus on increasing suppliers on the Network, the recurring access and usage fee revenue will continue to grow and assist in providing the necessary revenue to maintain current levels of operations as well as support growth. In addition, as the Company completes integration projects, the revenue increase will be twofold; the set up fees being recognized will increase as well as an increase in the access and usage revenue stream, via increased documents flowing through the system through an integration solution.

Quarterly Information

The following table presents key financial information by quarter the eight most recent quarters.

	Revenue	Net Loss	Basic and diluted loss per share
2010			
Quarter One	\$1,522,382	\$(72,009)	\$(0.001)
2009			
Quarter Four	434,995	(1,395,259)	(0.012)
Quarter Three	353,184	(1,611,614)	(0.015)
Quarter Two	318,113	(1,677,054)	(0.016)
Quarter One	228,813	(1,765,822)	(0.017)
2008			
Quarter Four	197,784	(1,652,382)	(0.019)
Quarter Three	609,130	(456,504)	(0.010)
Quarter Two	816,652	(147,618)	(0.003)

Income Taxes

The Company is not cash taxable for the quarter ended October 31, 2009. At October 31, 2009, the Company has approximately \$9,990,000 of non-capital losses to carry forward to reduce future year's taxable income.

Share Capital

Cortex Business Solutions Inc. did not issue any common shares during the quarter ended October 31, 2009. As of October 31, 2009, the Company had 117,680,875 common shares and 19,673,750 warrants issued and outstanding. There have been no changes in the number of shares or warrants since October 31, 2009 to the date of this management discussion and analysis.

Liquidity and Capital Resources

At October 31, 2009, Cortex Business Solutions Inc. held \$736,856 in cash and cash equivalents compared to \$3,209,471 at October 31, 2008. The Company had accounts receivable, net of an allowance for doubtful accounts, of \$1,180,063 at October 31, 2009 compared to accounts receivable of \$113,371 at October 31, 2008. None of the accounts receivable are under dispute however; the Company has set up \$4,000 as an allowance for doubtful accounts at October 31, 2009. The Company also has \$520,000 in a non-redeemable guaranteed investment certificate at October 31, 2009 (\$1,000,000 at October 31, 2008), which matures January 29, 2010.

Cash used in operating activities was \$(925,918) during the quarter as compared to \$(1,401,984) in the same quarter 2008. This reduction in cash used in operating activities is the result of an increase in overall revenues during the quarter of \$1,293,569 as well as a reduction in overall expenses of \$400,244.

The Company used \$25,775 to invest in property and equipment in the first quarter of 2010 and \$134,891 during the first quarter of fiscal 2009. Computer and hardware purchases accounted for \$21,232 of the purchases, and \$4,543 in computer software.

The Company operates a stock option plan as approved by the shareholders at the 2008 Annual General Meeting on May 4, 2009. 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 20,886,675. 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 October 31, 2009 was 11,448,639 and at October 31, 2008, 9,160,950. The amounts exercisable for the same periods were 8,505,826 and 6,744,284, respectively, with a weighted average exercise price of \$0.19 each. At December 18 2009, the Company had 9,124,429 stock options exercisable and 12,056,512 stock options issued and outstanding. At October 31, 2009 and December 18, 2009, there were 19,673,750 warrants outstanding at a weighted average exercise price of \$0.35. In December 2009, there were 25,664 stock options forfeited.

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 experienced consecutive net losses for the years ended July 31, 2009 and 2008 of \$6,449,749 and \$2,453,554, respectively, and a net loss for the current quarter of \$72,009 and has a cumulative deficit of \$13,583,152 at October 31, 2009. Management's assessment of the Company, based on its current cash flow forecast and financial model, is that the ability to remain as a going concern is affected by the following factors:

- a) The current recession has reduced capital spending in the oil and gas sector.
- b) The current recession has also reduced overall spending in the oil and gas sector. This has impacted the Company's generation of recurring access and usage fee revenue through a reduction of documents flowing between vendor and suppliers. This translates into reduced transactional volume and reduced volume of suppliers coming on board through the addition of new hubs.

Management's plan for addressing these issues:

- a) During the quarter, the Company signed a new long term service agreement with its largest customer. The agreement includes a one year professional services agreement and a new five year service agreement with an option to extend for an additional five years. The funds generated by this agreement, in conjunction with anticipated growth in transactional fee revenue (access and usage fee revenue) are expected to provide sufficient funds to carry out the Company's current business plan.

- b) The Company has taken steps to reduce its operating costs including a salary reduction by its employees, and closely monitoring all other operating costs.
- c) The Company may consider additional salary or general and administrative cost reductions and may need to consider additional equity financing as well.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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.

The economic downturn may affect the Company's ability to obtain similar financing in the future, as was completed during the year. The Company anticipates that current capital resources, together with anticipated revenue growth, will be sufficient to support operations without the need for additional financing in the near future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Obligations

The Company entered into a five year operating lease for office space commencing December 1, 2007 and expiring November 30, 2012, a second eleven month operating sublease for office space commencing September 1, 2008 which was extended effective August 1, 2009 for an additional seven months, a new four year operating lease for office equipment commencing February 11, 2008, and a second four year operating lease for office equipment commencing August 2008.

The Company has retained effective April 1, 2009, the services of Brisco Capital Partners Corp, an investor relations firm. The Company committed \$6,000 per month plus disbursements for a one year period ending March 31, 2010.

The Company's total minimum annual obligations are as follows: 2010 - \$196,022; 2011 - \$133,315; 2012 - \$132,175; and 2013 - \$42,814.

Transaction with Related Parties

The Company had no transactions with related parties during the current quarter or the same quarter last year.

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 recovery in the value of the Canadian dollar recently should minimize the effect on the Company's future revenues from international sources. The Company currently has nominal revenue outside of Canada and the impact is believed to be negligible at this time.

Critical Accounting Estimates

Management estimates are used when accounting for items and matters, such as useful lives and future recoverability of property and equipment, and stock-based compensation.

The Company amortizes property and equipment on a declining balance method based on their estimated useful lives. Any change in the estimate of their useful lives could impact the amortization provisions.

The Company grants stock options. The estimated fair value of the stock options granted is determined using the Black-Scholes option-pricing model. This model incorporates estimates based on historical data for inputs into the option-pricing model such as the expected future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

The Company issues Units of common shares and warrants and Compensation Options to purchase Units and estimates their fair value using the Black-Scholes option-pricing model. This model incorporates estimates based on historical data for inputs into the option-pricing model such as the expected future volatility of the Company's share price, expected lives of the Compensation Options and warrants, expected dividends to be paid by the Company and other relevant assumptions.

Outlook

During the remaining quarters of fiscal 2010, the Company will continue the further expansion of the Cortex Trading Partner Network, by adding additional buying organizations and supplier groups. By doing so, Cortex will draw additional revenue from increased transaction volumes and strategic expansion into oil and gas and other industry segments.

The continued growth of the Company in the marketplace has increased the credibility and acceptance of our solutions resulting in numerous opportunities to expand. Management expects that the current business cycle in the oil and gas industry will strengthen the sales pipeline and increase the growth of the Cortex Trading Partner Network. This market trend, in conjunction with our initiatives to add customers to the Cortex Trading Partner Network and the increase in focus of our sales organization on integrations should result in further revenue growth during fiscal 2010. Scrutiny of the current cash burn will continue and actions will be taken to restructure and/or refocus resources to achieve the revenue growth necessary to sustain operations in the future.

Cortex has established itself as the market leader in the next generation of procure to pay and e-invoicing solutions. The growth of our Network is generating market interest from large organizations seeking to leverage the Network to improve efficiencies and reduce administrative costs. The addition of these companies onto the Network will further accelerate our growth and strengthen our position in the market.

As a result, our capital position remains strong and sufficient to fund operations and the anticipated growth of the Company. Securing this long term agreement further demonstrates the commitment to the Cortex system by one of Canada's largest oil & gas producers. Our solution continues to deliver the expected benefits of improved controls, rate checking, commitment tracking, cost allocations and reduced administration costs, by achieving a 99% first pass invoice approval rate. The scope of the agreement has expanded to cover all service and material suppliers operating in Canada and off the coast of Newfoundland.

Changes in Accounting Policies

The following outlines the most notable changes to financial reporting requirements which have, or may have, the greatest impact on the Company.

Goodwill and Intangible Assets

As of August 1, 2009, the Company has adopted CICA Section 3064, Goodwill and Intangible Assets which will replace Handbook Section 3062. The new guidance reinforces a principles-based approach to the recognition of costs of assets in accordance with the definition of an asset and the criteria for asset recognition under Handbook Section 1000, Financial Statement Concepts. Section 3064 clarifies the application of the concept of matching revenues and expenses in Section 1000 to eliminate the current practice of recognizing as assets items that do not meet the definition and recognition criteria. Under this new guidance, fewer items meet the criteria for capitalization. This standard did not have an impact on its financial statements.

Future accounting pronouncements

International Financial Reporting Standards (IFRS)

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") by the end of 2011. In February 2008, the AcSB confirmed that 2011 is the change over date for publicly-traded companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

The Company has not completed development of its IFRS changeover plan. The Company is currently assessing the impact of the conversion from Canadian GAAP to IFRS on its results of operations, financial position and disclosures and is in the process of developing an IFRS changeover plan. The plan will include an assessment of the differences between Canadian GAAP and IFRS, accounting policy choices under IFRS, internal controls over financial reporting, potential system changes required, potential corporate governance changes, and affects on internal controls and processes including resources and training required for employees. The focus over the next six months will be to ensure sufficient education and training continues in this area. Communication is ongoing with many areas of the Company and regular updates are provided to senior management and the Audit and Governance committees. The Company will provide disclosures of the key elements of its plan and progress on the project as the information becomes available during the transition period.

The International Accounting Standards Board ("IASB") has issued amendments to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time.

Business Combinations

As of August 1, 2011, the Company will be required to adopt changes in CICA Handbook Section 1582, Business Combinations which will replace Section 1581, Business Combinations and harmonizes the Canadian standards related to business combinations with IFRS. This new standard establishes revised standards on the recognition and measurement of identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, as well as recognition and measurement guidance for goodwill acquired in the business combination or the gain from a bargain purchase option. The new standard also provides guidance on identifying the acquirer and identifying the acquisition date (being the date at which control is acquired), and on the presentation and disclosure to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

Consolidated Financial Statements and Non-Controlling Interests

As of August 1, 2011, the Company will be required to adopt changes to CICA Handbook Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which together replace Section 1600, Consolidated Financial Statements. These sections establish revised standards for the preparation of consolidated financial statements and specifically discuss the consolidated accounting following a business combination involving the purchase of an equity interest of one company by another. These sections also provide guidance in situations involving a combination or consolidation other than through purchase of an equity interest or involving unincorporated businesses.

"Art Smith" (signed)
President

"Sandra L. Weiler" (signed)
Chief Financial Officer