



2008 Annual Report

Management's Discussion & Analysis

November 8, 2008

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 audited consolidated financial statements of the Company for the year ended July 31, 2008; as well as the notes thereto.

All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of November 8, 2008.

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. Some of the risks that may cause actual results to vary are described under the "Business Risks" 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.*

Fiscal 2008 Financial and Operational Highlights

Cortex had an outstanding year of achievement, record revenue and growth. The Company's disciplined approach to management allowed the organization to invest in the core business to create a solid foundation for growth.

- The Company achieved record revenue of \$2.24 million in fiscal year 2008, an increase of 38% from \$1.63 million recorded in fiscal year 2007.
- Cortex shifted revenue focus from project management fee revenue to recurring access and usage fee and set-up fee revenue, resulting in an increase of 63% in access and usage fee revenue and a 74% increase in set-up fee revenue from fiscal 2007 to fiscal 2008.
- The Company had a cash and cash equivalents and accounts receivable balance of over \$4.8 million at July 31, 2008, not including an additional Guaranteed Investment Certificates ("GICs") of \$1 million invested over an 18 month period.
- The Company signed a Memorandum of Understanding ("MOU") with one of Canada's top 5 integrated oil and gas companies to expand the Company's current initiative and become their primary e-commerce solution provider. We expect that the expanded initiative will see the Company's network grow by 3,000 suppliers by June 2009.
- Cortex achieved 100% exercise of the remaining outstanding warrants from the 2006 private placement offering.
- The Company closed its short form prospectus on May 29, 2008 for the issuance of 25,000,000 units at \$0.20 per unit. The full amount of the prospectus was filled, including \$220,000 in over-allotment. The total gross proceeds to the Company were \$5,220,000. The net proceeds from this prospectus to the Company were \$4,421,269.
- Cortex increased the number of suppliers on the network 16% July 08 over July 07. Further increase in suppliers on the Company's network of 39% since July 08 to end of September 08 (an increase of 61% from Jul 07 to September 08).
- The Company expanded its sales network, to a national level by signing a marketing, sales and distribution agreement with TELUS Communications on October 15, 2008.
- The Company in a difficult staffing market successfully recruited a number of key staff, as required to meet current contractual obligations, as well as future growth targets.

The continued escalation of cost pressures and fluctuating drilling activity in the oil & gas sector have increased the demand for innovative solutions which improve cash flow and increase operational efficiencies. These changes in the marketplace are positive for Cortex as an increased number of large and mid-sized companies began exploring the benefits of our solution.

Cortex exits fiscal 2008 with the highest revenue and strongest cash position in the Company's history.

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 fiscal 2008, the Company saw an increase in overall revenue of 38% over fiscal 2007. The Company realized significant growth in our project management revenue stream (30% increase from fiscal 2007 to fiscal 2008). Access and usage fees grew 63% in fiscal 2008 over fiscal 2007. The Company validates its business model by increasing the number of suppliers on the network. This increase in suppliers on our network improves the marketability of our product and the value proposition to future users, including other major oil companies. The access and usage fee growth will continue to strengthen as we add suppliers to our network. The marketplace response to our product line is increasingly positive, showing an increased awareness of the business need for our solution.

The Company's revenue stream is 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. Cortex does not anticipate that the current economic downturn would have a significant negative impact on our estimated revenue growth.

Selected Annual Information

The following table presents selected annual information for the years ended July 31, 2008, 2007 and 2006.

	2008	2007	\$ Change	% Increase (Decrease)	2007	2006	\$ Change	% Increase (Decrease)
Total Revenues	\$2,243,054	\$1,626,090	\$616,964	38%	\$1,626,090	\$610,310	\$1,015,780	166%
Total Expenses	4,696,608	2,394,161	2,302,447	96%	2,394,161	1,198,472	1,195,689	100%
Net loss	(2,453,554)	(768,071)	(1,685,483)	219%	(768,071)	(611,306)	(156,765)	26%
Net loss per share	(0.036)	(0.014)	(0.022)	157%	(0.014)	(0.016)	0.002	(13)%
Total assets	6,182,827	833,991	5,348,836	641%	833,991	983,715	(149,724)	(15)%

Total long-term financial liabilities	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-

Revenue

Revenue for the year increased 38% (July 31, 2008 - \$2,243,054; July 31, 2007 - \$1,626,090). The Company realized growth of 30% in our project management revenue stream in fiscal 2008 compared to fiscal 2007. Access and usage fees grew 63% in fiscal 2008 from fiscal 2007. Set-up fees were up 74% in fiscal 2008 from fiscal 2007.

The sustained revenue growth is a positive reflection on the Company's diligence in applying our goals and strategies and acceptance and awareness in the marketplace of our product and its economic benefit to users. During the year ended July 31, 2008, the Company began its movement out of the project management revenue to focus more on a sustainable revenue source derived from monthly access and usage fees. Access and usage fees revenue growth is due in large part to the MOU recently signed with one of the top 5 oil and gas companies. This monthly access and usage fee growth will continue to strengthen as we bring on the suppliers committed to in the MOU.

The following table summarizes the revenue streams, fluctuations and trends over the last three fiscal years.

	2008	2007	\$ Change	% Increase (Decrease)	2007	2006	\$ Change	% Increase (Decrease)
<i>Project management</i>	\$1,529,419	\$1,174,625	\$354,794	30%	\$1,174,625	\$93,600	\$1,081,025	1155%
<i>Access and usage fees</i>	636,642	390,869	245,773	63%	390,869	312,590	78,279	25%
<i>Set-up fees</i>	76,352	43,839	32,513	74%	43,839	197,769	(153,930)	(78)%
<i>Interest income</i>	641	16,757	(16,116)	(96)%	16,757	6,351	10,406	164%
Total Revenue	2,243,054	1,626,090	616,964	38%	1,626,090	610,310	1,015,780	166%

Expenses

Expenses for the year increased 96% (July 31, 2008 - of \$4,696,608, July 31, 2007- \$2,394,161). The majority of the Company's expenses (68%) relate to salaries, employee benefits and subcontracts (July 31, 2008 -\$3,210,260, July 31, 2007 - \$1,709,823). The Company continues to focus its resources on staffing in order to generate quality products as well as the training and customer support the Company prides itself on. In fiscal 2008, a number of key sales, technical and accounting staff were recruited meet the Company's contractual obligations, as well as provide necessary capability to meet growth targets. As the Company continues to expand its revenue base and improve its current product line, these costs will continue to increase, but at a slower rate than currently being experienced. During this development and growth phase, the Company is

maintaining its mandate of strict control of spending – focusing resources on future revenue producing potential. 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 year has increased from 1.68% of total expenses in 2007 to 2.17% of total expenses in 2008 (2008 - \$102,146, 2007 - \$40,156). With the increase in staffing in 2008, the Company needed to expand the size of its office. Cortex was able to increase its useable square feet 10 times the original size while increasing annualized occupancy costs by less than 3 times the previous cost. The Company acquired additional space, subsequent to year end, in order to expand our team further.

The Company is required to value stock-based compensation expense using the Black-Scholes option-pricing model. During the year, this non-cash compensation expense amounted to 16.57% of the Company's expenses (2008 - \$778,384, 2007 - \$278,912). 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.

The following table summarizes the expenses, fluctuations and trends over the last three fiscal years.

	2008	2007	\$ Change	% Increase (Decrease)	2007	2006 (Restated)	\$ Change	% Increase (Decrease)
General and Administrative	\$399,825	\$198,534	\$201,291	101%	\$198,534	\$109,669	\$88,865	81%
Bank charges and interest	1,060	1,860	(800)	(43)%	1,860	6,713	(4,853)	(72)%
Internet and hosting	51,171	55,248	(4,077)	(7)%	55,248	51,440	3,808	7%
Professional fees	112,827	88,535	24,292	27%	88,535	38,491	50,044	130%
Rent	102,146	40,156	61,990	154%	40,156	18,299	21,857	119%
Salaries, employee benefits and subcontract	3,210,260	1,709,823	1,500,437	88%	1,709,823	618,501	1,091,322	176%
Stock-based compensation	778,384	278,912	499,472	179%	278,912	349,451	(70,539)	(20)%
Amortization	40,935	21,093	19,842	94%	21,093	5,908	15,185	257%
Total Expenses	4,696,608	2,394,161	2,302,447	96%	2,394,161	1,198,472	1,195,689	100%

Net Loss

The Company's net loss for the year ended July 31, 2008 increased by 219% (July 31, 2008 - \$2,453,554; July 31, 2007 - \$768,071). With the Company in a transition phase, the increase in loss is an inevitable part of growth. The increased spending on human resources and related costs, will allow the Company to move into a position where its product line and the marketability of its product line, will allow the Company to add even more suppliers in the upcoming year. Cortex Business

Solutions Inc. wants to ensure that all suppliers continue to receive the same quality product, training and support that is currently in place.

Quarterly Information

The following table presents key financial information by quarter for fiscal 2008 and the previous two fiscal years. Please note that stock-based compensation expense and net loss have been restated to properly reflect stock-based compensation expense for fiscal 2006 quarters.

	Revenue	Net Loss	Basic and diluted loss per share
2008			
Quarter One	\$619,488	(\$197,050)	(\$0.004)
Quarter Two	816,652	(147,618)	(0.003)
Quarter Three	609,130	(456,504)	(0.010)
Quarter Four	197,784	(1,652,382)	(0.019)
2007			
Quarter One	\$398,353	(\$145,719)	(\$0.003)
Quarter Two	370,068	(122,929)	(0.002)
Quarter Three	435,715	(143,636)	(0.003)
Quarter Four	421,954	(355,787)	(0.006)
2006 (restated)			
Quarter One	\$101,745	(\$273,114)	(\$0.009)
Quarter Two	137,220	(42,096)	(0.001)
Quarter Three	152,873	(188,486)	(0.004)
Quarter Four	218,472	(107,610)	(0.002)

Fourth Quarter 2008 Results

The Company had revenue of \$197,784 in the fourth quarter of 2008 as compared to \$421,954 for the same quarter 2007. This was a decrease of 53%. Cortex fulfilled its major project in the third quarter of fiscal year ended July 31, 2008. This resulted in the loss of the project management income from that project. The change in direction for Cortex is to move towards a more stabilized income based on monthly access and usage fees. With an additional 61% of suppliers being added to the network from July 2007 to September 2008, the Company is successfully implementing its strategies and goals.

Expenses for the fourth quarter of 2008 totalled \$1,850,166 compared to \$777,741 for the same quarter in 2007. During the fourth quarter 2008, Cortex had an increase of 73% in staffing from the

third quarter 2008. Included in expenses for the three month period ended July 31, 2008 was non-cash, stock-based compensation expense of \$214,806 (July 31, 2007- \$100,424). Included in salaries, employee benefits and subcontract expense is \$200,000, to be paid by way of issuance of 1,000,000 common shares. At July 31, 2008, this amount is included in accounts payable and accrued liabilities.

Income Taxes

For the year ended July 31, 2008, the Company is not taxable. At July 31, 2008, the Company has approximately \$4,704,000 of non-capital losses to carry forward to reduce future year's taxable income.

Share Capital

Cortex Business Solutions Inc. issued 48,677,417 common shares during the fiscal year ended July 31, 2008.

On June 9, 2008, the shareholders approved the payment of bonuses to certain staff and insiders in the form of 448,167 common shares to be issued at \$0.20 per share for an aggregate of \$89,634.

On August 18, 2006, the Company entered into employment contracts to issue when earned, at a deemed price of \$0.15 per share, 462,000 common shares in lieu of salary and 1,500,000 common shares in lieu of a bonus for obtaining a material Anchor account for the year ended July 31, 2007 the employee earned the 462,000 and 500,000 common shares in lieu of salary and bonus, with a fair value of \$144,300 which was included in accounts payable and accrued liabilities at July 31, 2007. On August 16, 2007, the 462,000 common shares in lieu of salary and 500,000 common shares in lieu of bonus were issued. During the year ended July 31, 2008, the remaining 1,000,000 common shares in lieu of a bonus for the signing of a material Anchor account has been earned and \$200,000 is included in accounts payable and accrued liabilities at year end using a fair value of \$0.20 per share.

The shareholders also approved the payment of bonuses to insiders and other staff in the form of offsetting the amount of the bonus against the exercise price of vested and unexercised options outstanding within a range of \$0.11 and \$0.20 per share. An aggregate of 2,115,083 common shares were issued for an aggregate value of \$284,091. Upon exercise of the stock options, \$287,559 of contributed surplus was credited to share capital.

On May 29, 2008, the Company closed its short form prospectus offering, by issuing a total of 26,100,000 units ("Units") at \$0.20 per Unit for gross proceeds of \$5,220,000 (the "Offering"), including the partial exercise of an Over-Allotment Option granted to the Agent. Each Unit consists of one common share and one half common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one common share for a period of two years from the closing of the Offering at \$0.30 per common share. The Agent was paid a cash commission of \$522,000, plus legal fees and disbursements, and was issued an Over-Allotment Option to sell additional Units to a maximum of 3,750,000 Units of which 1,100,000 of the Over-Allotment was sold at \$0.20 per Unit for 30 days from the closing of the Offering and Compensation Options to purchase an amount equal to 10% of the number of Units sold under the Offering (including the Over-Allotment Option totalling 2,610,000 Units) at \$0.20 per Unit for a period of two years from the closing of the offering. As at July 31, 2008, no Compensation Options have been exercised.

The fair value of the Compensation Options issued to the Agent pursuant to the Offering was estimated using the Black-Scholes option-pricing model at \$0.128 per Unit using the following assumptions: an expected life of two years, risk-free interest rate of 3.09%, expected volatility of 113% and expected dividend rate of \$Nil; resulting in an increase of issuance costs and contributed surplus of \$333,000. The fair value of the Warrants issued pursuant to the Offering was estimated using the Black-Scholes option- pricing model utilizing the residual method using the following assumptions: an expected life of two years, risk-free interest rate of 3.09%, expected volatility of 113% and expected dividend rate of \$Nil. As a result, the allocation of the gross proceeds from the Offering of \$5,220,000 was allocated as to \$4,231,725 to the 26,100,000 common shares and \$988,275 to the 13,050,000 Warrants. In connection with the Offering, issuance costs were \$1,131,731 (which includes the \$333,000 Agent costs above) of which \$917,519 was allocated to the common shares and \$214,212 was allocated to the Warrants.

Liquidity and Capital Resources

At July 31, 2008, Cortex Business Solutions Inc. held \$4,770,767 cash and cash equivalents, compared to \$386,491 at July 31, 2007. The Company had accounts receivable of \$69,863 at July 31, 2008 compared to accounts receivable of \$333,136 at July 31, 2007. The Company has improved its accounts receivable collection and continues to maintain a more diligent collections regime. None of the accounts receivables are under dispute and consequently no allowance for doubtful accounts has been set up. The Company also has \$1,000,000 guaranteed investment certificates at July 31, 2008 (\$Nil at July 31, 2007). The Company's cash position increased in the year due to obtaining additional capital through the issuance of common shares and exercise of warrants which were offset by increased investment into the human resources required to expand our sales force, training and product development.

Cash used in operating activities was \$(763,473) in fiscal 2008 as compared to \$(411,243) in fiscal 2007. This increase in cash used in operating activities is the result of spending during the year on human resources and additional operational expenses incurred as part of the growth plan carried out in fiscal 2008. Financing activities provided a source of \$6,287,094 cash in fiscal 2008, compared to a source of cash of \$102,361 in fiscal 2007. This source of cash arrived through the issuance of shares and warrants \$4,421,269, exercise of warrants \$1,861,525 and exercise of stock options for \$4,300.

The Company used \$163,766 to invest in property and equipment in fiscal 2008 and \$44,427 to invest in property and equipment in fiscal 2007. The Company spent \$58,377 on furniture and office equipment, \$87,631 on computer equipment, \$2,832 on leasehold improvements (net of recovery from landlord) and \$14,926 on software. The majority of the capital spending was required to upgrade phones, wiring, networking and computers to accommodate the increase in staff. The Company also invested \$1,000,000 of surplus funds into an 18 month Guaranteed Investment Certificates with an interest rate of 4% and matures January 29, 2010.

The Company operates a stock option plan as approved by the shareholders at the 2007 Annual General Meeting on June 9, 2008. 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 15,147,691. 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, 2008 was 9,210,950 and at July 31, 2007, 9,437,700. The amounts exercisable for the same periods were 5,727,617 and 2,918,950, respectively.

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, 2008 and 2007 of \$2,453,554 and \$768,071, respectively, and has a cumulative deficit of \$7,061,394 at July 31, 2008. The ability of the Company to continue as a going concern is dependent upon future profitable operations.

Included in prepaids and deposits is \$50,000 paid to the Company's investor relations firm. These funds were provided as part of the comprehensive investor relations and market-making services agreement the Company entered into in February 2008. Subsequent to the year end, the specific program for which the funds were provided was cancelled and the amount was refunded to the Company in full.

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, would be sufficient to support operations without the need for additional financing in the near future.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. 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 entered into a new 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, a new four year operating lease for office equipment commencing February 11, 2008, and a second new four year operating lease for office equipment commencing August 2008.

The Company has retained effective February 1, 2008, the services of CHF Investor Relations ("CHF"), an investor relations firm. The Company has committed \$7,500 per month plus disbursements for a one year period ended January 31, 2009. The Company also, in addition to the monthly fee, granted on February 1, 2008, 250,000 stock options to CHF at an exercise price of \$0.25 per share and another 250,000 stock options to CHF at an exercise price of \$0.50 per share on June 9, 2008.

The Company's total minimum annual obligations as follows: 2009 - \$356,812; 2010 - \$133,315; 2011 - \$133,315; 2012 - \$132,175; and 2013 - \$42,813.

Transaction with Related Parties

During the fiscal year ended July 31, 2008 the Company paid or accrued interest on debentures to directors of the Company in the amount of \$Nil (July 31, 2006 - \$1,766).

This transaction is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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; exchange rate fluctuations; risks related to future acquisitions; requirements for additional financing of our business and any future acquisitions; credit terms extended to our customers; possible volatility in our share price; product and geographic concentration in conjunction with the limited range of products that we sell; 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 products.

Recent changes in the value of the Canadian dollar could affect the Company's 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 has issued Units of common shares and warrants and Compensation Options to purchase Units and estimated 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

Cortex was awarded a contract with a major oil and gas company during fiscal 2008; as a result, our customer base (suppliers) is expected to increase to 3,000 by June 2009. Each time Cortex adds a

new customer to our network, our monthly access and usage fee as well as set-up fee revenue increases.

During fiscal 2009, Cortex will focus on the successful execution of the contract and further expansion of our trading partner network, by adding additional buying organizations and supplier groups. By doing so, Cortex will draw additional revenue from increased transaction volumes and expansion into new industry segments.

The validation of Cortex 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 our trading partner network. This market trend, in conjunction with our initiative to add suppliers to our network, will result in further revenue growth and profitability being obtained during fiscal 2009. During the next year, management will remain disciplined and focus on execution of the business plan, controlling costs and driving toward sustainable profitability.

Recent Accounting Developments

During the past and upcoming years, a number of changes to financial reporting requirements have been introduced. The following outlines the most notable changes and those which have, or may have, the greatest impact on Cortex Business Solutions Inc.

Comprehensive Income

The CICA introduced handbook Section 1530, Comprehensive Income, which became effective for interim and annual periods beginning on or after October 1, 2006 (with early adoption permitted). The Company adopted this standard in its first quarterly reporting period ending October 31, 2007.

Financial Instruments

CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, which became effective for interim and annual periods beginning on or after October 1, 2006 (with early adoption permitted). The standard required Cortex Business Solutions Inc. to classify its financial instruments as: held for trading, held to maturity, loans and receivables, available for sale or other financial liabilities. The Company adopted this standard in its first quarterly reporting period ending October 31, 2007.

Hedging

The CICA issued handbook Section 3865, Hedges, which became effective for interim and annual periods beginning on or after October 1, 2006 (with early adoption permitted). The new standard is optional, but must be applied if an entity chooses to use hedge accounting. The standards (3855, 1530, 3865) have been adopted prospectively, effective August 1, 2007, and as such, comparative financial statements will not be restated. The adoption of these new standards had no impact on the Company's opening deficit.

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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Accounting Changes

CICA Handbook Section 1506 Accounting Changes, effective for fiscal years beginning on or after January 1, 2007, establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. CICA 1506 clarifies that a change in accounting policy can be made only if it is a requirement under Canadian generally accepted accounting principles or if it provides reliable and more relevant financial statement information. Voluntary changes in accounting policies require retrospective application of prior period financial statements, unless the retrospective effects of the changes are impracticable to determine, in which case the retrospective application may be limited to the assets and liabilities of the earliest period practicable, with a corresponding adjustment made to opening retained earnings. The Company adopted this standard August 1, 2007 and had no effect on the financial statements.

Capital Disclosure

CICA Handbook Section 1535, Capital Disclosures will become effective for fiscal years beginning on or after October 1, 2007. The standard requires Cortex Business Solutions Inc. to disclose information about the Company's capital and how it is managed to enable users of the financial statements to evaluate the Company's objectives, policies and procedures for managing capital. The Company will adopt this standard in its first quarterly reporting period ending October 31, 2008 and is expected to increase note disclosures in the financial statements only.

Financial Instruments

CICA Handbook Sections 3862, Financial Instruments-Disclosures and 3863 Financial Instruments-Presentation, will become effective for fiscal years beginning on or after October 1, 2007. These sections replace Section 3861,

Section 3862 requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for a Company's financial position and performance; and the nature and extent of risks arising for financial instruments to which a Company is exposed during the period and at the balance sheet date, and how a Company manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

The Company will adopt these standards in its first quarterly reporting period ending October 31, 2008 and is expected to increase note disclosures in the financial statements only.

"Art Smith" (signed)
President

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