



2009 First Quarter Report

Management's Discussion & Analysis

December 28th, 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 unaudited consolidated financial statements of the Company for the quarter ended October 31, 2008; as well as the notes thereto.

All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of December 28th, 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. Forward-looking statements are often, but not exclusively identified by words such as "anticipate", "estimate", "may", "expect", "plan", "future", "continue", "intends", "projects", "believes", "potential", "continue", "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" 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.*

First Quarter 2009 Financial and Operational Highlights

Cortex had a strong quarter with a 235% increase in customers transacting on our network, a 300% increase in customers with signed contracts to join our network and the execution of a major sales and distribution agreement with TELUS Communications Inc.

Highlights of Q1 are:

- Achieved quarterly access and usage fee revenue of \$196,968. This is an increase of 78% (\$86,229) over the quarter ended October 31, 2007.
- Continued with supplier adoption and sales program to connect suppliers to the Cortex network and expand this network by over 500 new customers since July 31, 2008.
- Signed a sales and distribution agreement with TELUS Communications in which Cortex products and services become a core product line in the TELUS Procure to Pay[™] solution for the oil and gas market.
- The expansion of our network by over 500 new customers provided the Company with \$63,000 in network set-up fees in the quarter. In accordance with the Company's revenue recognition policy, these fees are required to be amortized over the life of the contract. As a result, minimal revenue was recognized in the quarter for these fees with a corresponding increase in deferred revenue of \$61,016. The Company currently has \$91,075 in deferred revenue, which will be amortized to revenue in accordance with the terms of customer contracts.
- The Company has a net loss per share of \$(0.017) for the quarter ended October 31, 2008.

Cortex continues to execute on its strategy and business plan in which management began to invest the \$5.2 million raised on May 29, 2008 into our sales marketing and delivery organizations. The result of this investment began to pay off in the first quarter by adding over 500 new customers to our trading partner network. The Company's major project relating to the Memorandum of Understanding signed during the fiscal year ended July 31, 2008 is on track and together with our new partnership with TELUS, activity in the marketplace and acceptance of our solutions has increased significantly. Our sales opportunities are the strongest in Company history. Management is focused on sales and execution of our business plan.

The current economic downturn may encourage companies to focus on cost savings measures. The Cortex solution assists companies in this goal by providing them an automated eProcurement solution which could assist in reducing their internal costs and increasing 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 2009, the Company saw a decline in overall revenue of 63% over the same quarter last year. This decline in overall revenue was due to the completion of a term project management contract during the fiscal year ended July 31, 2008. This project management stream accounted for 76% of the revenue during the three month period ended October 31, 2007. The Company continues to realize significant growth in our access and usage fees which grew 78% during the three month period ended October 31, 2008 compared to the same period last year. The Company's strategy to switch its focus to a sustainable monthly revenue stream is the reason for the increase in access and usage fees, and the elimination, in this quarter, of project management fees. The Company has continued to improve upon the size of its network, increasing the number of billable customers on board since July 31, 2008 from 213 to 714 as of November 30, 2008, an increase of 235%.

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, 2008 and 2007.

	2008	2007	\$ Change	% Increase (Decrease)
Total Revenues	\$228,813	\$619,488	\$(390,675)	(63)%
Total Expenses	1,994,635	816,538	1,178,097	144%
Net loss	(1,765,822)	(197,050)	1,568,772	796%
Net loss per share	(0.017)	(0.004)	(0.013)	325%
Total assets	4,698,623	887,273	3,811,350	430%
Total long-term financial liabilities	-	-	-	-
Cash dividends	-	-	-	-

Revenue

Revenue for the period decreased 63% (October 31, 2008 - \$228,813; October 31, 2007 - \$619,488). The Company did not engage in any project management consulting work during the current quarter, focusing on its core business and the increase in monthly sustainable recurring revenue, being the access and usage fees. Access and usage fees grew 78% during the three month period ended October 31, 2008 compared to the three month period ended October 31, 2007 (October 31, 2008 - \$196,968, October 31, 2007 - \$110,739). Set-up fees were down 94% during the three month period ended October 31, 2008 compared to the three month period ended October 31, 2007 (October 31, 2008 - \$2,355, October 31, 2007 - \$40,530). During the three month period, the Company invoiced customers for network set-up fees of \$63,000; however based on the Company's revenue recognition policy, these fees are to be amortized over the life of the contract. As a result, only \$1,100 of the set-up fees relating to these new customers attained during the quarter was recognized. 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, 2008 compared to the three month period ended October 31, 2007 increased 144% (October 31, 2008 - \$1,994,635, October 31, 2007 - \$816,538). While the Company continues to carry out its contractual commitments to onboard customers to our expanding network, it has incurred additional staffing costs in order to properly prepare the Company for the additional training, service and support our customers have come to expect. Salaries, employee benefits and subcontracts accounted for 76% of expenses during the current quarter, compared to 63% of expenses during the same three month period ended October 31, 2007 (October 31, 2008 - \$1,522,121, October 31, 2007 - \$513,956). Included in the current quarter salaries, employee benefits and subcontracts costs are \$178,289 in recruiting fee costs. The Company does not anticipate this cost to increase in the future, as the Company has almost met its projected staffing requirements. 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 3% of total expenses, compared to 1% during the same period last year. In order to accommodate the current level of staff, the Company did lease additional office space commencing in September 1, 2008. The Company is obligated for this second lease until July 2009, at which time the Company will evaluate 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 10% of the Company's expenses (October 31, 2008 - \$190,409, October 31, 2007 - \$171,202). 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 includes this non-cash compensation expense.

Net Loss

The Company's net loss for the quarter ended October 31, 2008 increased by 796% (October 31, 2008 - \$1,765,822; October 31, 2007 - \$197,050). With the Company in a transition phase, the increase in expenses is an inevitable and expected part of growth. The increased spending on human resources and related costs, has enabled the Company to increase the number of billable customers on our network by 235% since July 31, 2008. As customers transact on the Cortex network and realize the benefits of our service, we anticipate the volume of transactions to increase,

thereby increasing our monthly revenue stream. The timing of the increase in access and usage fees is not known precisely at this time.

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
2009			
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)
Quarter One	619,488	(197,050)	(0.004)
2007			
Quarter Four	\$421,954	\$(355,787)	\$(0.006)
Quarter Three	435,715	(143,636)	(0.003)
Quarter Two	370,068	(122,929)	(0.002)

Income Taxes

The Company is not taxable. At October 31, 2008, the Company has approximately \$6,262,000 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, 2008. As of October 31, 2008, the Company had 104,433,375 shares and 13,050,000 warrants issued and outstanding. There have been no changes in the number of shares or warrants since October 31, 2008 to the date of this management discussion and analysis.

Liquidity and Capital Resources

At October 31, 2008, Cortex Business Solutions Inc. held \$3,209,471 cash and cash equivalents (of which \$2,800,000 is invested in redeemable guaranteed investment certificates bearing interest at ranging from 2 – 4 % per annum), compared to \$397,724 at October 31, 2007. The cash and cash equivalents are held on deposit with a major Canadian Bank. The Company had accounts receivable, net of an allowance for doubtful accounts, of \$113,371 at October 31, 2008 compared to accounts receivable of \$386,623 at October 31, 2007. The Company has improved its accounts receivable collection and continues to maintain a more diligent collections regime. As the Company continues to have a more diversified customer list, it has decided to adopt policy of setting up 8% on its trade accounts receivable as an allowance for doubtful accounts. The Company will monitor its

actual bad debts and review the allowance policy on a regular basis. The amount set up as an allowance for the quarter ended October 31, 2008 is \$4,405 and is included in general and administrative expenses. The Company also has \$1,000,000 guaranteed investment certificates at October 31, 2008, bearing interest at 4% per annum, non-redeemable without penalty, until January 29, 2010 (\$Nil at October 31, 2007). The Company's cash position decreased in the quarter by \$1,561,296.

Cash used in operating activities was \$(1,401,984) during the current quarter as compared to \$(21,072) in the same quarter fiscal 2008. This increase in cash used in operating activities during the quarter, is the result of spending on human resources and related recruitment costs as well as additional operational expenses incurred as part of the growth plan of the Company. Financing activities did not impact cash during the quarter, compared to a source of cash of \$34,811 in the same quarter of fiscal 2008. This source of cash during the three month period last year, was due to the exercise of warrants.

The Company used \$134,891 to invest in property and equipment during the quarter and \$2,506 to invest in property and equipment during the same quarter fiscal 2008. The property and equipment purchase was related to the overall increase in the Company staffing levels which required staff related computer hardware and software, as well as some additional infrastructure hardware.

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 October 31, 2008 was 9,160,950 and at October 31, 2007, 10,237,700. The amounts exercisable for the same periods were 6,744,284 and 3,816,867, respectively. The number of options exercisable and outstanding has not changed since the period ended October 31, 2008 to the date of this Management Discussion and Analysis.

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 quarters ended October 31, 2008 and 2007 of \$1,765,822 and \$197,050, respectively, and has a cumulative deficit of \$8,827,216 at October 31, 2008. The ability of the Company to continue as a going concern is dependent upon future profitable operations. The Company has a business plan in place to control expenditures in line with revenue growth.

The current economic downturn may affect the Company's ability to obtain similar financing in the future, as was completed during the previous fiscal year and may have an effect on our customers and their ability to remain as a going concern in the future. 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.

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, a 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 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's total minimum annual obligations as follows: 2009 - \$268,724; 2010 - \$133,315; 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 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.

Outlook

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 strategic expansion into oil and gas and other industry segments. Our agreement with TELUS Communications Inc. is expected to significantly increase our exposure in the marketplace resulting in new opportunities and increased sales.

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, could result in further revenue growth being obtained during fiscal 2009. During the next twelve months, management will remain disciplined and focus on execution of the business plan, controlling costs and driving towards 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.

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, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company will complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities,

The International Accounting Standards Board ("IASB") has stated that it plans to issue an exposure draft relating to certain amendments to IFRS 1 in order to make it more useful to Canadian entities adopting IFRS for the first time.

Capital disclosures

Effective August 1, 2008, the Company adopted CICA Section 1535, Capital Disclosures which requires additional disclosures of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006. This new disclosure is provided in note 3 of the interim financial statements for the period ended October 31, 2008.

Financial Instruments - Disclosure and Presentation

Effective August 1, 2008, the Company adopted two new CICA standards, Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation which replaces Section 3861, Financial Instruments - Disclosure and Presentation. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carried forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006. This new disclosure is provided in note 10 to the interim financial statements for the period ended October 31, 2008.

Future accounting pronouncements

Goodwill and Intangible Assets

As of August 1, 2009, the Company will be required to adopt 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. The Company is currently determining the impact of this standard.

"Art Smith" (signed)
President

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