



## 2009 Second Quarter Report

## Management's Discussion & Analysis

March 26th, 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. (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 January 31, 2009; as well as the notes thereto.*

*All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of March 26<sup>th</sup>, 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](http://www.sedar.com). Additional information is also available on the Company's web site at [www.cortex.net](http://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 expectations as of the date of management's discussion and analysis;*
- We caution readers not to place undue reliance on forward-looking statements as actual results may differ materially from expectations if known and unknown risks or uncertainties affect our business, or if 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.*

## Second Quarter 2009 Financial and Operational Highlights

The Company had a strong second quarter highlighted by strong recurring revenue growth (access and usage fees) and the Company reaching a milestone of 1,000 suppliers brought onto the Cortex Trading Partner Network (“trading partner network”) as part of the Memorandum of Understanding signed in 2008.

Highlights of Q2 are:

- The Company announced the expansion of the previously announced project with one of Canada's top five integrated oil and gas companies to now onboard all its suppliers in all business units across Canada. As a result of the expansion of this project, the Company expects to experience an accelerated expansion of their trading partner network.
- The Company signed set-up and integration contracts during the quarter having an aggregate value of \$296,775. Of this amount, \$272,070 has been deferred under our revenue recognition policy and \$24,705 was recognized as revenue in the quarter under the set-up fees revenue stream. In accordance with the Company's revenue recognition policy, as prescribed by the CICA, these fees are required to be deferred and amortized into income over the life of the contract. The contract terms are typically 1 or 3 years. These set-up and integrations fees are leading indicators to growth in the access and usage revenue stream.
- Achieved quarterly access and usage fee revenue of \$273,250. This is an increase of 80% over the quarter ended January 31, 2008.
- Launched a new QuikTikit Application on Smartphones. In conjunction with this new application being released, the Company joined the BlackBerry(r) alliance program. Membership in the BlackBerry(r) alliance program will help the Company launch its newest solution - QuikTikit™ that runs on BlackBerry(r) smartphones from Research In Motion (RIM). QuikTikit™ is a revolutionary solution that offers companies the ability to expedite their invoicing process and to retrieve billing information or service tickets produced in the field in a more timely and efficient manner. It uses the BlackBerry(r) smartphone to remotely capture the signed image and accounting data from paper timesheets, goods, and service receipts and sends them securely through the trading partner network directly into the company's back office billing or accounting system for processing.
- The Company has signed over 1,000 customers onto its trading partner network, in relation to the Memorandum of Understanding signed during the fiscal year ended July 31, 2008.
- The Company entered into a strategic partnership with Powervision Software Inc. in March 2009. This alliance allows the Company to leverage Powervision's expertise in document and workflow management solutions which directly aligns with the Company's service of electronically connecting trading partners. The partnership introduces the Company to Powervision's current oil and gas customer base, which complements our customer base and helps us extend our reach and create greater value in the marketplace for our existing and future customers.
- The Company had a net loss per share of \$(0.016) for the second quarter of fiscal 2009 and \$(0.033) per share for the six months ended January 31, 2009. The Company is executing its business plan and experiencing the losses anticipated during this growth phase.

The Company 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 continues to pay off in the second quarter of 2009 by adding 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 continuing, and together with our partnership with TELUS, our alliance with Research in Motion, activity in the marketplace, and acceptance of our solutions, demand for our solution has increased significantly. Our sales opportunities are the strongest in Company history. Management is focused on securing sales and execution of our business plan.

The steady growth of suppliers signing on to the trading partner network is encouraging and aligns with the Company's business plan. The recurring access and usage fees from these new users have been slower to materialize than expected due to circumstances beyond the Company's control. During the quarter, management continued to take action to control and reduce costs. Future cost reductions will be implemented as necessary until such time as revenue growth is back on target.

The current economic downturn may encourage companies to focus on cost savings measures. The Company's 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**

The Company is a leading eCommerce service company that improves efficiencies, reduces costs and streamlines procurement and supply chain processes for its customers. Accessing the trading partner 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. The Company is a low cost, low risk solution that can be implemented quickly by leveraging its customers' existing business environment - evolving business.

The Company's 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 second quarter of fiscal 2009, the Company signed set-up and integration contracts worth an aggregate of \$296,775, of which \$272,070 was deferred. The demand for our integrated product during this quarter has been unsurpassed in Company history. The successful implementation of these contracts will further increase the Company's access and usage fees going forward. Although the Company saw a decline in overall revenue over the same quarter last year, this decline was largely due to the completion of a term project management contract during the fiscal year ended July 31, 2008. This project management stream accounted for 81% of the revenue during the three month period ended January 31, 2008. There was no project management revenue in the current quarter. In line with the Company's business plan, the focus is on expanding on our trading partner network and increasing our recurring access and usage fees. The Company is continuing to realize significant growth in our access and usage fees which grew 80% during the three month period ended January 31, 2009 compared to the same period last year. The Company's strategy is to switch its focus to a sustainable monthly revenue stream. This switch in focus is the reason for the increase in access and usage fees, and the elimination, in this quarter, of project management fees. The Company is continuing to increase the size of its trading partner network, increasing the number of customers with

signed contracts since October 31, 2008 from 714 to over 1000 as of March 2, 2009, an increase of 40% over the last three months.

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, the Company 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 January 31, 2009 and 2008.

	Three months ended January 31				Six months ended January 31			
	2009	2008	\$ Change	% Increase (Decrease)	2009	2008	\$ Change	% Increase (Decrease)
Total Revenues	\$318,113	\$816,652	\$(498,539)	(61%)	\$546,926	\$1,436,140	\$(889,214)	(62%)
Total Expenses	\$1,995,167	\$964,270	\$1,030,897	107%	\$3,989,802	\$1,780,808	\$2,208,994	124%
Net loss	\$(1,677,054)	\$(147,618)	\$1,529,438	1036%	\$(3,442,876)	\$(344,668)	\$3,098,208	899%
Net loss per share	\$(0.016)	\$(0.003)	\$0.013	40%	\$(0.033)	\$(0.006)	\$0.027	449%
Total assets	\$3,307,910	\$1,013,047	\$2,294,863	227%	\$3,307,910	\$1,013,047	\$2,294,863	227%
Total long-term financial liabilities	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-

## Six Months Ended January 31, 2009

### Revenue

The Company continues to improve its access and usage revenue stream showing an increase of 79% over the same six month period last year (2009 - \$470,218; 2008 - \$262,947). This revenue growth is the result of net new suppliers transacting on the trading partner network and an increase in the volume of transactions. As suppliers continue to realize the benefits of our service, the transaction volume, and in turn the revenue derived from volume, are expected to continue to increase. Set-up fees invoiced during the six month period ended January 31, 2009 of \$359,775 was an increase of 524% over the same six month period last year (January 31, 2008 - \$57,660). The amount recognized as revenue during the six month period decreased 38% (January 31, 2009 - \$27,060; January 31, 2008 - \$43,774). This was due to a specialized project during the January 31, 2008 quarter, which was all able to be recognized in the same quarter. The project management

revenue decreased 100% period over period (January 31, 2009 - \$Nil; January 31, 2008 - \$1,129,419). This was due to the completion of a project during the year ended July 31, 2008, with no offsetting project for the 2009 fiscal year. The Company is committed to focusing efforts on access and usage fees and set-up fees. The revenue stream trends are in line with this overall strategy. Total revenue for the six month period decreased 62% over the same six month period 2008 (2009 - \$546,926; 2008 - \$1,436,140).

The Company's access and usage revenue stream increased by 80% (\$121,042) over the same three month period last year (January 31, 2009 - \$273,250; January 31, 2008 - \$152,208). The set-up fees invoiced during the three months ended January 31, 2009 were \$296,775 compared to \$12,540 invoiced in the same period last year. The resulting revenue recognized in set-up fees for the three month period increased 662% (January 31, 2009 - \$24,705; January 31, 2008 - \$3,244). The amount of revenue the Company recognizes will continue to increase gradually over the next twelve months in accordance with the Company's revenue recognition policy. The Company's standard contract terms are 1 and 3 years. Project management revenue decreased 100% over the same three months last year (January 31, 2009 - \$Nil; January 31, 2008 - \$661,200). This was due to the completion of a project during the year ended July 31, 2008, with no offsetting project for the 2009 fiscal year. Overall revenue for the three month period ended January 31, 2009, was down 61% over the same period last year. The Company is optimistic for the continued improvement in our monthly access and usage fees, as well as the continued on boarding of new customers to our trading partner network.

## **Expenses**

Expenses for the six month period ended January 31, 2009 compared to the six month period ended January 31, 2008 increased 124% (January 31, 2009 - \$3,989,802; January 31, 2008 - \$1,780,808). Salaries, employee benefits and subcontract remains at 76% of expenses during the current six month period, compared to 63% of expenses during the same six month period ended January 31, 2008 (January 31, 2009 - \$3,030,901; January 31, 2008 - \$1,122,140). The Company's general and administrative expenses are up slightly at 9% of overall expenses. These costs are kept to a minimum in order to focus resources on key strategic areas. The Company's rent and occupancy costs in the period are 4% of total expenses, compared to 2% during the same period last year. The Company has not leased any additional space since last reported in the first quarter of the 2009 fiscal year. The Company has two current occupational leases, one which is expiring at the end of July 2009. The Company is in the process of negotiating renewal terms. The Company is required to value stock-based compensation expense using the Black-Scholes option-pricing model. During the six month period, this non-cash compensation expense amounted to 8% of the Company's expenses (January 31, 2009 - \$317,534; January 31, 2008 - \$353,912). 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 includes this non-cash compensation expense.

Expenses for the three month period ended January 31, 2009 compared to the same period last year increased 107% (January 31, 2009 - \$1,995,167; January 31, 2008 - \$964,270). Salaries, employee benefits and subcontract remains at 76% of expenses in the current quarter compared to 63% for the same quarter last year (January 31, 2009 - \$1,508,780; January 31, 2008 - \$608,184). The Company remains focused on carrying out its business plan, and will implement cost reductions as necessary until such time as revenue growth is back on target. The three month period had general and administrative costs at 9% of total expenses compared to 10% during the same period last year (January 31, 2009 - \$183,151; January 31, 2008 - \$100,574).

## Net Loss

The Company's net loss for the six months ended January 31, 2009 increased by 899% (January 31, 2009 - \$3,442,876; January 31, 2008 - \$1,780,808). The Company's net loss for the three months ended January 31, 2009 increase 1036% over the same three month period last year (January 31, 2009 - \$1,677,054; 2008 - \$147,618). The increase in loss quarter over quarter is largely due to the loss of the project management revenue stream, additional staff brought in to on board new customers to the trading partner network and the impact of revenue being deferred. The Company continues to focus on improving the monthly revenue stream and bringing on additional customers to our trading partner network. As customers transact on the trading partner 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
<b>2009</b>			
Quarter Two	\$318,113	\$(1,677,054)	\$(0.016)
Quarter One	228,813	(1,765,822)	(0.017)
<b>2008</b>			
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)
<b>2007</b>			
Quarter Four	\$421,954	\$(355,787)	\$(0.006)
Quarter Three	435,715	(143,636)	(0.003)

## Income Taxes

Currently, the Company is not cash taxable. At January 31, 2009, the Company has approximately \$7,780,000 of non-capital losses to carry forward to reduce future years' taxable income.

## Share Capital

The Company did not issue any common shares during the quarter or six months ended January 31, 2009. As of January 31, 2009, the Company had 104,433,375 common shares and 13,050,000 warrants to purchase common shares at \$0.30 per share until May 2010, issued and outstanding.

There have been no changes in the number of common shares or warrants outstanding since January 31, 2009 to the date of this management discussion and analysis.

## **Liquidity and Capital Resources**

At January 31, 2009, Cortex Business Solutions Inc. held \$1,455,326 in cash and cash equivalents, of which \$1,190,000 is invested in guaranteed investment certificates bearing interest at rates ranging from 2 – 4 % per annum, compared to \$273,450 at January 31, 2008. 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 \$320,862 at January 31, 2009 compared to accounts receivable of \$592,397 at January 31, 2008. As the Company continues to have a more diversified customer list, it has decided to adopt a policy of up to 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 January 31, 2009 is \$2,200 and is included in general and administrative expenses. The Company also has \$1,000,000 guaranteed investment certificates at January 31, 2009, bearing interest at 4% per annum, non-redeemable, maturing January 29, 2010 (\$Nil at January 31, 2008). The Company's overall cash position decreased in the quarter by \$1,754,145.

Cash used in operating activities was \$(1,626,907) during the current quarter as compared to \$(173,981) in the same quarter fiscal 2008. The Company used \$(3,028,891) during the six month period compared to \$(195,053) during the same six month period last year. This increase in cash used in operating activities during the quarter is due mainly to required human resources spending in order to have the sales staff to on board, trainers and support staff to assist new customers coming onto the trading partner network and additional staff required for product development. In addition, the Company has invested in a focused business development team to work with our strategic partners, TELUS, Betach, RIM and Powervision, to expand the trading partner network outside the current Memorandum of Understanding into new industries, opportunities and product lines.

Financing activities did not impact cash during the current quarter, compared to a source of cash of \$135,585 in the same quarter of fiscal 2008. During the six month period ended January 31, 2009, the Company had no cash impact from financial activities while \$170,396 of cash came from financing activities in the same six month period 2008. This source of cash during the six month period last year was due to the exercise of warrants.

The Company used \$(141,381) to invest in property and equipment during the quarter and \$(47,128) to invest in property and equipment during the same quarter fiscal 2008. During the six month period ended January 31, 2009, the Company used \$(276,272) compared to \$(49,634) for the same six month period last year. The property and equipment purchases were 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 January 31, 2009 was 9,085,950 and at January 31, 2008, 10,237,700. The amounts exercisable for the same periods were 8,477,616 and 5,137,700, respectively. Management has continued to control and reduce costs, and as part of these reductions the compensation committee has agreed to award the senior management team 364,545 stock options on March 31, 2009 at an exercise price of \$0.22 in exchange for a 10% reduction in salary. These reductions will assist the company is reaching its goal of attaining positive cash flow and continue to execute its growth strategy.

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 January 31, 2009 and 2008 of \$1,677,054 and \$147,618, respectively, and has a cumulative deficit of \$10,504,270 at January 31, 2009. 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 reduce expenditures in line with revenue.

The current economic downturn may affect the Company's ability to obtain 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 continued revenue growth and targeted expense reduction will sustain operations until such time as the Company has reached positive cash position, as expected over the next 6 – 12 months.

### **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 retained effective February 1, 2008, the services of CHF Investor Relations ("CHF"), an investor relations firm. The Company had committed \$7,500 per month plus disbursements for a one year period ended January 31, 2009. The Company did not renew this contract for the next term.

The Company's total minimum annual obligations as follows: 2009 - \$228,013; 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 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.

Recent changes in the value of the Canadian dollar could affect 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, accounts receivable collectability 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 and valuation based on estimated future recoverability.

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, the Company will focus on the successful execution of the Memorandum of Understanding 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, membership in the BlackBerry alliance program and strategic partnership with Powervision Software Inc. is expected to significantly increase our exposure in the marketplace resulting in new opportunities and increased sales.

The validation 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 our trading partner network. This market trend, in conjunction with our initiative to add customers to our trading partner network, will 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 expenses and adjusting as necessary commensurate with revenue growth.

## **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.

### **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. This new disclosure is provided in note 3 of the interim consolidated financial statements for the period ended January 31, 2009.

### **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. This new disclosure is provided in note 10 to the interim consolidated financial statements for the period ended January 31, 2009.

### **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.

#### **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. 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 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.

"Art Smith" (signed)  
President

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