



2009 Third Quarter Report

Management's Discussion & Analysis

June 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. ("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 April 30, 2009; as well as the notes thereto.

All amounts are expressed in Canadian dollars unless otherwise stated. This disclosure is effective as of June 26th, 2009.

The MD&A and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Additional information is also available on the Company's web site at www.cortex.net.

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

- Unless otherwise indicated, forward-looking statements describe 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.*

Third Quarter 2009 Financial and Operational Highlights

The Company has seen an 11% increase in total revenue in the quarter ended April 30, 2009 over the previous quarter ended January 31, 2009. During the quarter ended April 30, 2009, the Company has seen a 57% growth in the access and usage revenue stream over the same quarter ended April 30, 2008. In addition set up fees recognized in the quarter ended April 30, 2009 increased 139% over the same period ended April 30, 2008. Although the Company did not realize the growth in total revenue anticipated, the difference is associated with the timing of executed integration and professional services contracts not completed in the quarter. Cortex continues to focus and execute on the growth of our customer base and associated recurring access and usage revenue. This focus has resulted in our fourth straight quarter of growth in the access and usage revenue stream.

Highlights of Q3 are:

- Access and Usage fee recurring revenue continues to improve, showing an increase of 57% in the quarter ended April 30, 2009 over April 30, 2008. In addition set up fees recognized in the quarter increased 139% April 30, 2009 over April 30, 2008.
- During the quarter, Cortex achieved a major milestone by bringing the total number of suppliers connected to the Cortex Trading Partner Network to over one thousand.
- Cortex announced the expansion of the previously announced project with one of Canada's top five integrated Oil & Gas companies to now onboard all its suppliers in all business units across Canada.
- Cortex experienced a slight delay in supplier on boarding during the third quarter on our current project with a major oil and gas client due to a decision to mandate the use of the Cortex Trading Partner Network to all suppliers of the major oil and gas company. This decision required a change in execution but has ultimately benefited the project and Cortex through the recent increased rate of supplier on boarding. The Company is continuing to increase the size of its Trading Partner Network, increasing the number of customers with signed contracts since January 31, 2009 from 923 to 1300 as of May 31st, 2009, an increase of 41% over the last three months. The number of suppliers on the network continues to accelerate, and as of June 18th, 2009 the number of contracted suppliers is 1,440.
- The Company announced an agreement with Wolverton Securities Ltd. to complete a brokered private placement financing, on a "commercially reasonable efforts" basis, of up to 25,000,000 units of Cortex ("Units") at a price of \$0.20 per Unit for gross proceeds of up to \$5,000,000. The final closing occurred on June 17th, 2009 for total gross proceeds of \$2,642,000, of which \$2,200,000 was received by Cortex from the first tranche of the private placement which closed on May 12, 2009. In total 13,247,500 Units were issued, which included 37,500 units issued to Wolverton Securities Ltd., in lieu of \$7,500 of the corporate finance fee. The Agent also received Agent's options to purchase the number of Units equal to 10% of the Units sold, exercisable for four years following the closing and 10% commission on the gross proceeds.

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, our strategic partnership with Powervision Software Inc., activity in the marketplace, and acceptance of our solutions, the Company continues to see increased demand for our solution. Sales opportunities continue to strengthen as the Company increases our presence in the marketplace. Management remains focused on securing sales and executing our business plan.

The steady growth of suppliers signing on to the Cortex Trading Partner Network is encouraging and aligns with the Company's business plan. The recurring access and usage fees from these new users have materialized more slowly than expected due to circumstances beyond the Company's control. During the quarter, management reviewed the alignment of costs with revenue. 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 with an automated eProcurement solution which could assist in reducing their internal costs and improving 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 Cortex 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 third quarter of fiscal 2009, the Company signed set-up and integration contracts worth an aggregate of \$83,750, of which a net of \$38,885 was deferred. As the number of integration contracts signed increases, the impact to revenue recognized will not be immediate. The initial set up cost is deferred in line with the monthly subscription agreement. Once current integration projects are completed and the customer moves from the Desktop to our integrated solutions, the Company's access and usage fees will be positively impacted.

As part of the Company's business plan and strategic focus, the Company continues to expand our Trading Partner Network and increase our recurring access and usage fees. The Company continues to realize growth in our access and usage fees which grew 57% during the three month period ended April 30, 2009 compared to the same period last year. The Company's strategy is to focus on a sustainable monthly revenue stream. This focus is starting to materialize in revenue through an increase in access and usage fees. The Company continues to increase the size of its Trading Partner Network, increasing the number of customers with signed contracts since January 31, 2009 from 923 to 1300 as of May 31st, 2009, an increase of 41% over the last three months. The number of suppliers on the network continues to accelerate, and as of June 18th, 2009 the number of contracted suppliers is 1,440.

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. The Company is seeing some impact from the economic

downturn as the volumes of transactions have not reflected normal economic activity. The Company will continue to monitor this trend in line with the economic recovery and adjust its focus as required.

Selected Financial Information

The following table presents selected quarterly information for the quarters ended April 30, 2009 and 2008.

	Three months ended April				Nine months ended April 30			
	2009	2008	\$ Change	% Increase (Decrease)	2009	2008	\$ Change	% Increase (Decrease)
Total Revenues	\$353,184	\$609,130	\$(255,946)	(42)%	\$900,110	\$2,045,270	\$(1,145,160)	(56)%
Total Expenses	\$1,964,798	\$1,065,634	\$899,164	84%	\$5,954,600	\$2,846,442	\$3,108,158	109%
Net loss	\$1,611,614	\$456,504	\$1,155,110	253%	\$5,054,490	\$801,172	\$4,253,318	531%
Net loss per share	\$0.015	\$0.010	\$0.005	50%	\$0.048	\$0.010	\$0.038	380%
Total assets	\$1,877,779	\$2,568,938	\$(691,159)	(27)%	\$1,877,779	\$2,568,938	\$(691,159)	(27)%
Total long-term financial liabilities								
Cash dividends	-	-	-	-	-	-	-	-

Nine Months Ended April 30, 2009

Revenue

The Company continues to improve its access and usage revenue stream showing an increase of 70% over the same nine month period last year (2009 - \$769,484; 2008 - \$453,282). This revenue growth is the result of net new suppliers transacting on the Cortex Trading Partner Network. 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. This did not materialize to the degree anticipated, as a result of the slowdown in the economy and the reduction of work throughout the industry. Set-up fees invoiced during the nine month period ended April 30, 2009 of \$443,525 was an increase of 444% over the same nine month period last year (April 30, 2008 - \$81,510). The amount recognized as revenue during the nine month period increased 15% (April 30, 2009 - \$71,925; April 30, 2008 - \$62,569). This trend is expected to continue as the Company continues to be able to recognize amounts previously deferred as projects are completed and subscription agreements are fulfilled. Project management revenue decreased 100% period over period (April 30, 2009 - \$Nil; April 30, 2008 - \$1,529,419). 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. As a result of no project management revenue total revenue for

the nine month period decreased 56% over the same nine month period 2008 (2009 - \$900,110; 2008 - \$2,045,270).

The Company's access and usage revenue stream increased by 57% (\$108,931) over the same three month period last year (April 30, 2009 - \$299,266; April 30, 2008 - \$190,335). Set-up fees invoiced during the three months ended April 30, 2009 were \$83,750 compared to \$23,850 invoiced in the same period last year. The resulting revenue recognized in set-up fees for the three month period increased 139% (April 30, 2009 - \$44,865; April 30, 2008 - \$18,795). 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 (April 30 2009 – \$Nil; April 30, 2008 - \$400,000). 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 April 30, 2009, was down 42% over the same period last year. The Company is optimistic for the continued improvement in our monthly access and usage fees as a result of the continued on boarding of new customers to our trading partner network and the anticipated completion of integration contracts. The completion of the integration contracts will increase monthly recurring access and usage fees as these customers begin to transact using our integrated service.

Expenses

Expenses for the nine month period ended April 30, 2009 compared to the nine month period ended April 30, 2008 increased 109% (April 30, 2009 - \$5,954,600; April 30, 2008 - \$2,846,442). Salaries, employee benefits and subcontracts increased slightly to 78% of expenses during the current nine month period, compared to 62% of expenses during the same nine month period ended April 30, 2008 (April 30, 2009 - \$4,631,877; April 30, 2008 - \$1,769,353). The Company's general and administrative expenses remain 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 second quarter of the 2009 fiscal year. The Company has two current occupational leases, one of which is expiring at the end of July 2009. The Company is in the process of negotiating renewal terms. The Company has entered into a sublease agreement in one of their locations, for rent recovery of \$3,000 per month until end of occupancy lease, being July 31, 2009. The Company is required to value stock-based compensation expense using the Black-Scholes option-pricing model. During the nine month period, this non-cash compensation expense amounted to 6% of the Company's expenses (April 30, 2009 - \$358,317; April 30, 2008 - \$563,578). This large reduction in stock-based compensation expense is the result of the majority of stock options having vested in prior periods. 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 April 30, 2009 compared to the same period last year increased 84% (April 30, 2009 - \$1,964,798; April 30, 2008 - \$1,065,634). Salaries, employee benefits and subcontract are 82% of expenses in the current quarter compared to 61% for the same quarter last year (April 30, 2009 - \$1,600,976; April 30, 2008 - \$647,213). 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 (April 30, 2009 - \$172,953; April 30, 2008 - \$104,434).

Net Loss

The Company's net loss for the nine months ended April 30, 2009 increased by 531% (April 30, 2009 - \$5,054,490; April 30, 2008 - \$801,172). The Company's net loss for the three months ended April 30, 2009 increased 253% over the same three month period last year (April 30, 2009 - \$1,611,614; 2008 - \$456,504). The increase in loss for the three month period ended April 30, 2009 over April 30, 2008 is largely due to the loss of the project management revenue stream, additional staff brought in to on board new customers to the Cortex Trading Partner Network, the closing of sales taking longer than anticipated and the transaction volumes growing at a slower rate than expected.

In the current fiscal year, the quarterly results have seen improvement in the net loss. As the Company moves forward with its business plan, there will be additional scrutiny on costs and spending in relation to the rate of revenue growth. During the quarter ended April 30, 2009, the Company increased the focus of both our Cortex direct sales team and the TELUS sales team, on A/R integrations. The Company currently has 24 integration projects in various stages of completion. The Company continues to focus on improving the monthly revenue stream by bringing on additional customers to the Cortex Trading Partner Network and converting integration projects into transacting customers. As customers transact on the Cortex 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
2009			
Quarter Three	\$353,184	\$(1,611,614)	\$(0.015)
Quarter Two	318,113	(1,677,054)	(0.016)
Quarter One	228,813	(1,765,822)	(0.017)
2008			
Quarter Four	197,784	(1,652,382)	(0.019)
Quarter Three	609,130	(456,504)	(0.010)
Quarter Two	816,652	(147,618)	(0.003)
Quarter One	619,488	(197,050)	(0.004)
2007			
Quarter Four	421,954	(355,787)	(0.006)

Income Taxes

Currently, the Company is not cash taxable. At April 30, 2009, the Company has approximately \$9,326,000 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 nine months ended April 30, 2009. As of April 30, 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.

Since April 30, 2009 the Company issued an additional 13,247,500 common shares in connection with a private placement. Associated with this private placement, was an additional 6,623,750 warrants to purchase common shares at \$0.30 until May 2011 and at \$0.45 until May 2013. The number of common shares issued and outstanding as of June 26, 2009 is 117,680,875.

Liquidity and Capital Resources

At April 30, 2009, Cortex Business Solutions Inc. held \$166,487 in cash and cash equivalents, compared to \$1,880,447 at April 30, 2008. Cash and cash equivalents are held on deposit with a major Canadian bank. The Company had trade accounts receivable, net of an allowance for doubtful accounts, of \$75,274 at April 30, 2009 compared to trade accounts receivable, net of allowance for doubtful accounts of \$355,251 at April 30, 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 over 30 days 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 April 30, 2009 is \$3,000 and is included in general and administrative expenses. The Company also has \$1,000,000 in guaranteed investment certificates at April 30, 2009, bearing interest at 4% per annum, non-redeemable, maturing January 29, 2010 (\$Nil at April 30, 2008). The Company's overall cash position decreased in the quarter by \$1,288,839.

Cash used in operating activities was \$(1,269,726) during the current quarter as compared to \$(75,233) in the same quarter fiscal 2008. The Company used \$(4,298,617) in operating activities during the nine month period compared to \$(270,286) during the same nine month period last year. This increase in cash used in operating activities during the quarter is due mainly to required human resources. 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 Cortex Trading Partner Network outside of 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 \$1,690,849 in the same quarter of fiscal 2008. During the nine month period ended April 30, 2009, the Company had no cash impact from financial activities while \$1,861,245 of cash came from financing activities in the same nine month period 2008. This source of cash during the three and nine month periods last year was due to the exercise of warrants.

The Company used \$(19,113) to invest in property and equipment during the quarter and \$(8,619) to invest in property and equipment during the same quarter fiscal 2008. During the nine month period ended April 30, 2009, the Company used \$(305,663) compared to \$(97,003) for the same nine 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 2008 Annual General Meeting on May 4, 2009. Under this plan, directors, officers, consultants and employees are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 20,886,675. Options granted under the current stock option plan generally have a term of five years but may not exceed five years and vest over an 18 month period. The stock options granted under a previous stock option plan had vesting periods ranging from immediate vesting upon grant to 18 months. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) upon which the Company's common shares are then listed. The number of outstanding stock options at April 30, 2009 was 9,617,795 and at April 30, 2008, 10,397,700. The amounts exercisable for the same periods were 8,169,916 and 6,431,033, respectively. Management has continued to control and reduce costs, and as part of these reductions the compensation committee awarded 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. On April 1, 2009, the Company issued 500,000 stock options to an investor relations firm, Brisco Capital Partners Corp at an exercise price of \$0.20 as part of their compensation for a one year term. These reductions will assist the Company in reaching its goals of attaining positive cash flow and continuing 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 April 30, 2009 and 2008 of \$1,611,614 and \$456,504, respectively, and has a cumulative deficit of \$12,115,884 at April 30, 2009. The ability of the Company to continue as a going concern is dependent upon future profitable operations and the ability to raise additional funds or obtain debt financing. The Company announced an agreement with Wolverton Securities Ltd. to complete a brokered private placement financing, on a "commercially reasonable efforts" basis, of up to 25,000,000 units of Cortex ("Units") at a price of \$0.20 per Unit for gross proceeds of up to \$5,000,000 with an over-allotment option of 10% of the closing amount. The Company has closed gross proceeds of \$2,642,000 of the maximum \$5.5 million private placement as of June 17, 2009. The net proceeds were \$2.3 million.

The current economic downturn has affected the Company's ability to obtain the full amount of financing. The Company anticipates that current capital resources and the funds received on the private placement, together with anticipated revenue growth and targeted expense reduction will sustain operations until such time as the Company can reach positive cash flow from operations. The timing of positive cash flow from operations is dependent on the successful and timely conclusion of contractual initiatives currently being negotiated, coupled with the restructuring of resources. Completion of these initiatives should allow the Company to reach this positive cash flow goal 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 retained effective April 1, 2009, the services of Brisco Capital Partners Corp, an investor relations firm. The Company has committed to \$6,000 per month plus disbursements for a one year period ended March 31, 2010. In addition, the Company granted 500,000 stock options to Brisco Capital Partner Corp on April 1, 2009 at an exercise price of \$0.20.

The Company's total minimum annual obligations as follows: 2009 - \$129,007; 2010 - \$181,315; 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.

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

Critical Accounting Estimates

Management estimates are used when accounting for items and matters, such as useful lives and future recoverability of property and equipment, 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 and warrants. The estimated fair value of the stock options and warrants 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 and warrants, 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 the Cortex Trading Partner Network, by adding additional buying organizations and supplier groups. By doing so, Cortex will draw additional revenue from increased transaction volumes and strategic expansion into oil and gas and other industry segments. Our agreement with TELUS Communications Inc, membership in the BlackBerry alliance program and strategic partnership with Powervision Software Inc. are 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 the Cortex Trading Partner Network. This market trend, in conjunction with our initiatives to add customers to the Cortex Trading Partner Network and the increase in focus of our sales organization on integrations should result in further revenue growth being obtained during fiscal 2009. Scrutiny of the current cash burn will continue and actions will be taken to restructure and/or refocus resources to achieve the revenue growth necessary to sustain operations in the future.

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 April 30, 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 11 to the interim consolidated financial statements for the period ended April 30, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, entitled Financial Instruments - Recognition and Measurement. This EIC states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. The Company has adopted the recommendations of EIC 173, effective November 1, 2009. The change in standard did not have an impact on the Company's financial statements.

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.

Business Combinations

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

Consolidated Financial Statements and Non-Controlling Interests

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

"Art Smith" (signed)
President

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