BRAINHUNTER INC.

Management Discussion and Analysis
For the Period Ending
March 31st, 2006

May 15, 2006

BASIS OF PRESENTATION

The Management's Discussion and Analysis, dated May 15th, 2006 should be read in conjunction with the interim unaudited consolidated financial statements and the accompanying notes. Additional information relating to Brainhunter Inc. ("Brainhunter") is available on SEDAR.

The Company's interim unaudited consolidated financial statements and accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP") of the Canadian Institute of Chartered Accountants ("CICA") using the same accounting policies and methods as the most recent audited consolidated financial statements. All dollar amounts are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Brainhunter and its subsidiary entities, or the industry, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in Brainhunter's publicly filed documents (which are available on SEDAR at www.sedar.com) and elsewhere in this document. Those risks and uncertainties include: the ability to maintain profitability and manage growth; reliance on and retention of professionals; competition; performance obligations and client satisfaction; fixed price and contingency engagements; collectibility of accounts receivable; general state of the economy; possible acquisitions; possible future litigation; interest rate fluctuations; insurance limits; legislative and regulatory changes; revenue and cash flow volatility; operating risks; residential market risk; protection of intellectual property; appraisal mandates; restrictions on growth. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, Brainhunter cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and, except in accordance with applicable law, Brainhunter assumes no obligations to update or revise them to reflect new events or circumstances. Additionally, Brainhunter undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of Brainhunter, its financial or operating results, or its securities.

BUSINESS OVERVIEW

Brainhunter is an ISO 9001:2000 Certified "Technology Driven Professional Services Business". The Company uses its Recruiting and Staffing Technology Platform to provide a competitive advantage in building a Professional Services Practice around the Contract Staffing sector of the economy.

Brainhunter specializes in providing end-to-end recruiting and staffing solutions and services in IT, Engineering, Industrial and Health Care professionals, on a full time and contract basis, along with web enabled software solutions handling all aspects of the recruiting and staffing relationship between customer, contractor and agency, including all back office functions and the outsourcing of specialized business processes. Technology and services are provided to customers throughout Canada, the United States and globally under the brand Brainhunter, and drives a multifaceted revenue stream in seven related practice areas including:

1. **Contract Staffing** (Annuity Revenue) **– High Growth /**Full Service /Administrative
2. **Permanent Staffing** (Transaction Fees/Retainers) **– Strategic Service**/Full Service/ Virtual Agency
3. **Specialized Job Boards** (Posting Fees/Subscriptions) – **High Growth/**Traditional Job Posting Model (Customers)/Reverse Job Posting Model (Job Seekers)/Database Access Model (Customers)
4. **Technology Sales** (Licenses/Services) – **Strategic Service**/Applicant Tracking/ System/Vendor Management System/Back Office Systems
5. **Professional Services/Solutions Delivery** (Project Revenue) **– Strategic Servic**e/ Brainhunter Technology Platform Development, Support, Customization/ Outsourcing
6. **Business Process Outsourcing ("BPO") Centre** (Annuity Revenue) **– High Growth/**24/7 Recruiting Support/Sales and Customer Support/24/7 Telemarketing / Joint Venture Outsourcing of Specialized Business Processes / Including Software Development
7. **Infrastructure Services** (Annuity Revenue) **– High Growth**/Back Office Administration/Receivables Factoring/Recruiting Support

Brainhunter's Technology Platform and Best practices are believed to deliver the most cost effective, flexible and customizable recruiting and staffing solutions and processes in the marketplace today. The Platform is deployed internally and is sold externally in a modular capacity or as a fully integrated end-to-end solution on an ASP Model to customers in conjunction with Brainhunter's extensive Job Board Technology and Job Seeker Database capability (over 1.2 million resumes). It is supported by the Company's Professional Services division, which employs approximately 50 highly specialized, fully billable technical staff, operating on a highly profitable outsourcing business model.

Brainhunter is a publicly traded company with a senior listing on the Toronto Stock Exchange. Brainhunter deploys over 1,200 Contractors/Consultants with an internal staff of over 200 personnel. The Company has delivery capability in Toronto, Ottawa, Montréal, Calgary, Edmonton, Vancouver, as well as activities in Dalian, China and a BPO office in Hyderabad, India.

THE YEAR TO DATE IN REVIEW

Overview

In the *Contract Staffing* sector, the focus has been on enhancing our preferred supplier arrangements with large users of IT or Engineering contract services. During fiscal 2005, our preferred supplier arrangements increased to over 60, expanding the Company's coverage in Quebec and Alberta.

The company has successfully launched its Business Process Outsourcing ("BPO") centre in India. The centre is now fully operational and has signed 15 new supplier agreements in the USA and 12 in India. In addition, the BPO operation has several Recruiting Process Outsourcing proposals for major clients in the pipeline. The BPO Centre provides recruiting support for Brainhunter's Canadian and U.S. Staffing activities and marketing support for Brainhunter's North American Job Board business.

Brainhunter has launched a separate Permanent Staffing Group. The group has added over 36 major Fortune 1,000 clients to the Company's base of business, has grown to 6 people and has enjoyed growing profitability almost from its creation.

Brainhunter has made a significant investment in its operational infrastructure through the development of a comprehensive and robust Back Office System, along with significant enhancements to the Applicant Tracking and Vendor Management applications. The Back Office System will dramatically improve internal efficiencies and allow Brainhunter to service customers better. More importantly, the Back Office System provides Brainhunter with a major competitive advantage in positioning the Company as a Master Vendor providing the operational infrastructure that manages the Contract Staffing Business processes in the relationship between Agency, Customer and Job Seekers. Brainhunter now operates 106 specialized Job Boards with sales now tracking close to $2.0 million per annum for job postings.

Brainhunter has completed its marketing and branding realignment, brand rationalization and unified corporate identity program enterprise-wide across the 10 acquired entities. In addition, the Company has implemented a brand awareness advertising campaign that will carry on into early Fiscal 2006 throughout key geographic areas in Canada.

Acquisitions

AJJA Information Technology Consultants Inc.

On October 11th, 2005, 100% of the common and preference shares of AJJA Information Technology Consultants Inc. ("AJJA"), an information technology staffing company, were acquired for cash, convertible notes, and zero-interest vendor-take-back loans. The convertible notes have a nominal value of $4,000,000 and are to be repaid $325,000 quarterly plus interest beginning December 31st, 2006 and $337,500 quarterly plus interest beginning June 30th, 2007. Interest is payable on each payment date at the rate equivalent to that on a 90-day Canadian Treasury Bill for the 90-day period immediately preceding each payment date, with interest accruing from October 1st, 2006. The notes are convertible over their term to common shares of the Company at an exercise price of $1.00 per share. In accordance with CICA 3860, the convertible notes are to be separated into two components: a financial liability to make future payments and an equity instrument that is effectively a call option granting the holder the right, for a specified period of time, to convert into common shares of the Company. The Company has calculated the fair value of the financial liability component of the convertible notes to be $3,122,573 by discounting the quarterly payments of principal plus estimated interest using an effective interest rate of 15% per annum. This discount on the convertible notes is being charged to interest expense over the term of the loan. The carrying amount of the equity instrument, $877,427, was determined by deducting the fair value of the financial liability from the amount of the convertible notes as a whole. The zero-interest vendor-take-back loans have a nominal value of $2,200,000 and are to be repaid $36,667 monthly for 60 months. The Company has calculated the fair value of the vendor-take-back loans to be $1,541,268 by discounting the monthly payments using an effective interest rate of 15%. This discount on the vendor-take-back loans is being charged to interest expense over the term of the loans. The results of AJJA have been consolidated commencing October 11th, 2005.

The purchase price components for the acquisition of AJJA are:

	$
Cash consideration	6,200,000
Liability portion of notes	3,122,573
Conversion rights on notes	877,427
Vendor-take-back loans	1,541,268
Transaction costs	555,668
	12,296,936

iGate Mastech Ltd.

On November 16th, 2005, 100% of the common shares of iGate Mastech Ltd. ("iGate"), an information technology staffing company, were acquired for cash and a promissory note. The promissory note has a nominal value of $500,000 that is due November 16th, 2007. The promissory note pays interest only quarterly at the rate equivalent to that on a 90-day Canadian Treasury Bill for the 90-day period immediately preceding each payment date. The Company has calculated the fair value of the promissory note to be $399,829 by discounting the nominal value plus the stream of estimated quarterly interest payments using an effective interest rate of 15% per annum. This discount on the promissory note is being charged to interest expense over the term of the note. The results of iGate have been consolidated commencing November 16th, 2005.

The purchase price components for the acquisition of iGate are:

	$
Cash consideration	12,293,000
Vendor-take-back loans	399,829
Transaction costs	1,101,000
	13,793,829

Financing

On November 16th, 2005, the Company obtained a revolving demand credit facility of $20,000,000 from a Schedule "A" bank, with a term of two years, bearing interest at prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio, collateralized by a general security agreement that constitutes a first charge over all the assets of the Company. A portion of the proceeds was used to retire the $10,000,000 facility in place on September 30th, 2005.

On November 16th, 2005, the Company issued a debenture for $5,000,000, repayable on December 15th, 2008, paying interest only during the term on a quarterly basis at 12% per annum. The debenture is collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank. The lender was issued 1,000,000 common share purchase warrants of the Company, exercisable at $1.00 per common share at any time, with total return to the lender guaranteed at 15%.

In November, 2005, the Company issued convertible notes of $7,856,000 with a term of three years, paying interest only during the term at 8% per annum. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture. The notes are convertible at $1.50 of the face value per common share at any time, and were accompanied by 500 common share purchase warrants of the Company per $1,000 face value, exercisable at $1.00 per common share at any time. After a year, should the Company's common shares trade above a weighted average trading price of $2.00 over 20 days, the Company retains the option to require holders of these convertible notes to convert or redeem them.

SELECTED QUARTERLY INFORMATION

For the three months ended March 31st ($,000 except earnings per share)

	2006	**2005**	**2004**
Revenue	**$43.336**	**$19,548**	**$18,549**
Cost of sales	36,229	15,326	14,187
Gross margin	**7,107**	**4,222**	**4,362**
Other operating costs	6,020	3,351	3,018
EBITDA	**1,087**	**871**	**1,343**
Interest	1,032	138	65
Amortization	1,705	532	652
Earnings (loss) before tax	**(1,650)**	**201**	**626**
Income tax	(167)	(34)	121
Non-controlling interest	—	—	16
Net (loss) earnings	**$(1,483)**	**$235**	**$489**
Earnings (loss) per share-basic	$(0.04)	$0.01	$0.01
Earnings (loss) per share-fully diluted	$(0.04)	$0.00	$0.01

For the six months ended March 31st ($,000 except earnings per share)

	2006	2005	2004
Revenue	**$77,198**	**$37,337**	**$34,854**
Cost of sales	64,327	29,143	26,356
Gross margin	**12,871**	**8,194**	**8,498**
Other operating costs	11,070	6,429	6,102
EBITDA	**1,801**	**1,765**	**2,396**
Interest	1,629	249	202
Amortization	2,738	1,083	1,658
Earnings (loss) before tax	**(2,566)**	**433**	**536**
Income tax	(145)	63	76
Non-controlling interest	—	—	31
Net (loss) earnings	**$(2,421)**	**$370**	**$429**
Earnings (loss) per share-basic	$(0.06)	$0.01	$0.01
Earnings (loss) per share-fully diluted	$(0.06)	$0.01	$0.01

REVIEW OF OPERATIONS

Revenues

Revenues for the March quarter for Fiscal 2006 increased $23,787,655 or 122% versus the March quarter Fiscal 2005 from $19,548,300 to $43,335,955, and on six months ending March 31st, 2006 increased $39,860,226 or 106.8%, to $77,197,794, up from $37,337,568 for the same period in the prior year. The increase is mainly attributable to the two first quarter acquisitions of AJJA Information Technology Consultants Inc. ("AJJA") on October 11th, 2005 and iGate Mastech Ltd. ("iGate") on November 16th, 2005, and an increase in the Staffing business offset by a decline in the Solutions business.

Brainhunter's Staffing Division accounted for $76 million or 98.4% of total revenues for the six months ended March 31, 2006 compared to $34 million or 90.1% for the same period in fiscal 2005, representing an increase of $42 million or 123.2% increase over the prior year periods. As noted above, the increase is mainly attributable to the acquisitions of AJJA and iGate, representing approximately $39 million of the total increase, and due to a $3 million increase in the IT staffing market, mainly in Toronto, as a result of organic growth and being classified as the primary vendor on contract arrangements.

Brainhunter's Solutions Division accounted for $1.2 million or 1.6% of total revenues in the first six months of fiscal 2006 compared to $3.3 million or 8.9% in the same periods in fiscal 2005, representing a decrease of $2.1 million or 62.5% decrease over the prior year periods. The decrease is mainly attributable to a $2 million decline in a customer's activity on contracts compared to the prior year period.

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the six months ended March 31st, 2006, 49.4% of revenues related to various Federal Government of Canada agencies and departments, compared to 43.2% in the same periods of the prior year. This increase is due to acquiring AJJA in Ottawa.

Management believes that there are trends in North America, which will provide the Company with significant opportunities in 2006 to profitably expand the business of the Company:

- The continuing trend by primary IT users to "outsource" IT development projects to Solutions providers like Brainhunter to avoid having a large IT infrastructure
- The continuing trend by large scale Information Technology users and Systems Integrators to use IT contractors for projects in lieu of using permanent employees

Management believes that these trends coupled with the two acquisitions of iGate and AJJA, will significantly drive our revenue and profitability growth in 2006.

Cost of Sales & Gross Margin

Cost of sales includes all direct costs incurred in the providing of Staffing and Solutions services. These costs include contract staff, billing employees, hardware and software sold as part of a solution and travel and living expenses required to provide the service.

The overall cost of sales increased $20,904,759 or 136% for the Q2 Fiscal 2006 versus Q2 Fiscal 2005 from $15,326,468 to $36,229,227, and on a March YTD basis the cost of sales increased $35,183,605 or 120.7% from $29,142,984 in the first six months of fiscal 2005 to $64,326,589 in the first two quarters of fiscal 2006, an amount commensurate with the increase in revenues, and as a result of the two acquisitions. Cost of sales as a percentage of revenues increased from 78.1% in the first 6 months of fiscal 2005 to 83.3% for the comparative period in 2006 reflecting the evolution in the mix of the business, and the two acquisitions, which include significant vendor managed payrolling sales for several Tier-1 customer relationships. This business has lower margins than traditional full-service contract staffing sales because no recruiting function is required.

Cost of sales in the Company's Staffing Division accounted for $63.6 million or 98.9% of the total cost of sales in the first two quarters of fiscal 2006 compared to $26.9 million or 92.2% in same two quarters of fiscal 2005, representing an increase of $36.7 million or 136.4% increase over the same periods in the prior year. The gross margin related to the Staffing Division was $12.3 million or 16.2% of related revenues in the six months ended March 31st, 2006, compared to $6.8 million or 20.1% of related revenue for the same periods in the prior year. The decrease in gross margin percentage is a result of the acquisitions, which have gross margins in the 15-17% range and include vendor managed payrolling sales, as noted above.

Cost of sales in the Company's Solution Division accounted for $689,892 or 1.1% of the total cost of sales in the six months ended March 31st, 2006, compared to $2,257,946 or 7.7% of the total cost of sales for the same period in the prior year, representing a decrease of $1,568,054 or a 69.4% decrease over the prior year. The gross margin related to the Solutions Division was $552,140 or 44.5% of related revenues in the first two quarters of fiscal 2006, compared to $1,424,303 or 38.6.1% of related revenue for the first two quarters of fiscal 2005. The $872,163 decrease in gross margin is consistent with the decline in revenue from the same periods in the prior year.

Overall, the Company reported gross margins of $7,106,728 or 16.4% of revenues in the quarter ending March 31st, 2006, compared to $ 4,221,832 or 21.6% of revenues in the quarter ending March 31st, 2005, and on a March YTD basis the gross margins amounted to $12,871,205 or 16.7% of revenues in the six month period ended March 31st, 2006, compared to $8,194,584 or 21.9% of revenues for the same periods in the prior year. The gross margin fluctuates as it is dependent on the level of revenue generated from each division, the industry costs of acquisitions, and changes due to demands and competition in the market place, and as noted above, it has been impacted by vendor managed payrolling sales.

Overhead expenses ("Other Staffing Costs" and "General, Selling and Administrative")

Overhead expenses showed an increase in the March quarter 2006 versus March quarter 2005 of $2,669,324 from $3,350,740 to $ 6,020,064, and an increase for the first six months of fiscal 2006 versus the first six months of fiscal 2005 of $4,641,001 from $6,429,026 to $11,070,027 representing a 72.2% increase. As a percentage of Revenue, overhead expenses were 14.3% in first six months of fiscal 2006, down from 17.2% in the first six months of fiscal 2005.

Other staffing costs have increased $1,833,613 or 82.4% to $4,059,156 up from $2,225,543 in the quarter ending March 31st, 2006, and $3,507,398 or 87.8% to $7,500,273 in the six months ended March 31st, 2006, up from $3,992,875 for the same periods in the prior year. The increase is attributable to the acquisition of iGate and AJJA and is consistent as a percentage of revenue at 10% when comparing period-over-period.

Selling, general and administrative has increased $835,711 or 74.2% to $1,960,908 in the quarter ending March 31st, 2006 and $1,133,603 or 46.5% to $3,569,754 in the first six months of fiscal 2006, up from $2,436,151 in the same quarters of the prior year. The increase is attributable to the acquisitions of iGate and AJJA. As a percentage of revenue, selling, general and administrative costs have decreased from 6.5% in the first six months of fiscal 2005 to 4.6% in the first six months of fiscal 2006.

Earnings before Interest, Taxes and Amortization (EBITDA)

As a result of the above, EBITDA is reported as $1,086,664 for the second quarter of Fiscal 2006 versus $871,092 for the same period in Fiscal 2005. On a YTD basis EBITDA is $1,801,178 for the first six months of fiscal 2006 versus $1,765,558 for the same six months of fiscal 2005. EBITDA declined as a percentage of Revenue to 2.5% in the second quarter of Fiscal 2006, from 4.5% in the same quarter of Fiscal 2005. In the six months ended March 31st, 2006, EBITDA declined as a percentage of Revenue 2.3% from 4.7% in the six months ended March 31st, 2005. As noted previously, the decline is largely due to the decline in gross margin from 21.9% of sales in the first six months of fiscal 2005 to 16.7% of sales in the first six months of fiscal 2006.

Interest

The interest costs are predominantly related to amounts paid on the Company's current line of credit, the convertible notes, and the debentures. Interest expense is composed of two components; cash interest expense and non-cash or accretive interest. Accretive interest is a notional interest cost which represents the difference between the coupon rate of the specific piece of debt and an estimated cost of capital to the Company. When a piece of debt is incurred at a rate below the Company's estimated cost of capital, GAAP requires the debt to be discounted by the difference between the two interest rates and that discount amortized over the life of the debt as accretive or non-cash interest expense.

	3 months ended March 31, 2006	3 months ended March 31, 2005	6 months ended March 31, 2006	6 months ended March 31, 2005
Non-cash	$447,754	$18,475	$648,610	$36,950
Cash	$584,083	$119,567	$980,225	$212,288

Cash interest costs are increasing over time commensurate with the increase in Revenues, being the cost of financing accounts receivable for contract staffing and solutions business.

Amortization

Amortization expense of capital and intangible assets increased by $936,727 in the March quarter 2006 from $532,409, in the quarter March 2005 to $1,469,136, in the quarter March, 2006. In the March YTD basis the amortization expense increased by $1,419,935, from $1,083,312 in the first six months of fiscal 2005 to $2,503,247 in the first six months of fiscal 2006. The largest portion of amortization expense is the amortization of intangible assets. The increase in amortization expense is mainly due the addition of approximately $15 million in intangibles relating to the acquisition of AJJA and iGate.

Earnings (Loss) before Income Tax

Based on all of the above, the Company is reporting a loss before income taxes of $1,649,721 for the quarter ending March 31st, 2006 versus an income of $200,641 for the quarter ending March 31st, 2005, and a loss of $2,566,316 for the six months ended March 31st, 2006 versus income of $433,008 for the six months ended March 31st, 2005. As noted previously, the loss is largely the result of amortization expenses of intangible assets from acquisition activities.

Income Tax Expense

The provision for income taxes differs from the expense that would be obtained by applying the statutory rate to net income before income taxes as a result of such items as, amounts not deductible for taxes purposes, future tax assets and liabilities, and the benefit of loss recorded. The Company has sufficient tax losses acquired through acquisitions to reduce the payment of income taxes but is still subject to Provincial capital taxes, corporate minimum taxes, and future tax provisions. These amounted to $(167,015) in the current quarter, and $(33,939) for the same quarter in the prior year.

Net Earnings (Loss)

The Company is reporting a net loss of $(1,482,706) or $(0.04) per share basic and diluted for the quarter ending March 31st, 2006, and $(2,420,783) or $(0.06) per share basic and diluted for the six months ended March 31st, 2006, compared to a net earnings of $234,580 of $0.01 per share basic and $0.00 per share diluted for the quarter ended March 31st, 2005 and $370,120 or $0.01 per share basic and diluted for the six months ended March 31st, 2005.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table provides summary financial data for our last eight quarters:

(Expressed in thousands of dollars, except per share amounts)

		$	$	$	$
		Quarter ended			
		Mar 31 2006	Dec 31 2005	Sep 30 2005	Jun 30 2005
Revenue		43,336	33,862	18,707	20,017
Net income (loss)		(1,482)	(938)	(3,516)	(246)
Net income (loss) per share	-Basic	$(0.04)	$(0.02)	$(0.06)	$(0.01)
	-Diluted	$(0.04)	$(0.02)	$(0.06)	$(0.01)
		Mar 31 2005	Dec 31 2004	Sep 30 2004	Jun 30 2004
Revenue		19,548	17,789	16,576	17,463
Net income (loss)		235	136	(546)	(80)
Net income (loss) per share	-Basic	$0.01	$0.00	$(0.01)	$(0.00)
	-Diluted	$0.01	$0.00	$(0.01)	$(0.00)

The Company's quarterly results fluctuate based on a number of factors. Operations are driven by the timing of contracts, business renewals, acquisitions, reorganizations, and are subject to some quarterly seasonality due to the timing of the Federal Government of Canada's year-end, vacation periods and statutory holidays.

The Company recognizes revenue as work is performed, and revenue and profitability are negatively impacted as a result of statutory holidays and vacation periods. Typically, the Company's first and fourth quarter indicate reduced revenue and profitability levels as a result of the Christmas season and summer vacation period. The second quarter's revenue and profitability are normally positively impacted due to the Federal Government of Canada's March 31st year-end as consultants are fully utilized and additional consultants are engaged to finalize the work.

Liquidity

Cash and Bank Indebtedness

On March 31st, 2006, the Company reported Bank Indebtedness of $18,662,038. This number consisted of the actual draw against the Company's line of credit of $20,000,000 offset by Cash on hand of $628,609.

The Company’s line of credit as of March 31st, 2006 was $20,000,000. The Company’s interest rate is prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio. This bank line was obtained November 16th, 2005, and a portion of the proceeds was used to retire the $10,000,000 line of credit in place at September 30th, 2005.

Cash provided by Operations for the six months ended March 31st, 2006 was $503,502, while cash used in Operations for the six months ended March 31st, 2005 was $(1,644,504). This significant improvement resulted mainly from the net change in non-cash working capital, which decreased from $(3,307,851) to $(239,735), primarily as a result of reducing the Company’s accounts payable and accrued liabilities.

Obligations by year ($,000)

			Long-Term Debt		Total
		Operating Leases	Pay in Cash	Pay in Shares	
Year ending:	Sept 2006	$ 1,141	$ 1,082	$ 445	$ 2,668
	Sept 2007	823	2,081		2,904
	Sept 2008	823	2,357		3,180
	Sept 2009	662	14,621		15,283
	Sept 2010	662	440		1,102
	Sept 2011	662	37		699
	Sept 2012	662	-		662
	Sept 2013	662	-		662
	Sept 2014	662	-		662
	Sept 2015	163	-		163
	Total	$ 6,922	$ 20,618	$ 445	$ 27,985

Issue of Common Shares

The Company raised $7,932 in the second quarter of Fiscal 2006 and $23,982 in the first two quarters of 2006 on the issue of common shares due to the exercise of options. This compares to $256,293 raised in the second quarter of 2005 from the exercise of warrants.

Advances to Related Parties

The company recorded net advances of $25,567 to related parties during the six months ended March 31st, 2006, compared to net repayments of $336,440 in the six months ended March 31st, 2005.

Proceeds from Long-Term Obligations

In the period October, 2005 to December, 2005, the Company issued convertible term notes of $7,856,000 with a term of three years, paying interest only during the term at 8% per annum. The notes are convertible at $1.50 of the face value per Company common share at any time, and were accompanied by 500 common share purchase warrants of the Company per $1,000 face value, exercisable at $1.00 per common share at any time. After a year, should the Company's common shares trade above a weighted average trading price of $2.00 over 20 days, the Company retains the option to require holders of these convertible notes to convert or redeem them. Net proceeds of the issue were $7,234,150, of which $358,000 were received in the last quarter of fiscal 2005 and $6,876,150 in the first quarter of 2006, and were directed to the acquisitions of AJJA and iGate and to the Company's working capital.

Also on November 16th, 2005, the Company issued a debenture for $5,000,000, repayable on December 18th, 2008, paying interest only during the term on a quarterly basis at 12% per annum; the lender was issued 1,000,000 common share purchase warrants of the Company, exercisable at $1.00 per common share at any time, with total return to the lender guaranteed at 15%. Net proceeds of the issue were $4,881,984.

Repayment of Long-term Obligations

The Company repaid $231,762 of long-term debt during the second quarter of 2006, compared to repayments of $75,000 in the second quarter of 2005. In the first two quarters of FY2006 repayments of long-term debt amounted to $385,595 compared to $150,000 for the first six months in FY2005. All of the repayments are scheduled payments on long-term debt.

Business Acquisitions

The Company reported cash costs of $19,330,765, net of cash acquired, to acquire AJJA and iGate in the first half of 2006. This compares to the cash costs of $64,755 recorded for the first half of 2005, when the Company completed the acquisitions of Vision2Hire and Promethean. The acquisitions of AJJA and iGate were funded primarily by the Convertible term notes and Debenture financings described above.

Capital Expenditures

The Company spent $548,368 on Capital Expenditures during the six months ended March 31st, 2006, somewhat lower than the $1,008,496 spent in the six months ended March 31st, 2005. The current expenditures were made primarily in enhancing the Brainhunter software ($504,920) and in computer hardware and software ($27,926).

EBITDA

Management defines EBITDA as earnings before amortization, interest and taxes. The Company's method of calculating EBITDA may not be comparable to similar measures presented by other companies.

OTHER

Financial Instruments and Other Instruments

Accounts receivable, investment tax credits recoverable and income taxes payable, and accounts payable and accruals constitute instruments that approximate fair value due to the near term maturity.

The Company sells primarily to large, well-established customers. The Company is exposed to risk due to fluctuations in the exchange rate of the U.S. dollar.

Transactions with Related Parties

No transactions occurred with related parties during the quarter outside the normal course of business.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of March 31st, 2006, the Company's senior management, including the CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109: Certification of Disclosure in Issuers'

Annual and Interim Filings. The CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Legal Proceedings

The company is involved in several pieces of litigation. Management believes the litigations are without merit and that the provisions, which have already been made by the Company, are sufficient to offset any uncertainties.

Additional Information

Additional information about the Company may be obtained on SEDAR at www.SEDAR.com.