BRAINHUNTER INC.

Management Discussion and Analysis
For the Period Ending
June 30th, 2006

August 14, 2006

BASIS OF PRESENTATION

The Management's Discussion and Analysis, dated August 14th, 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 Service/** 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) **– Strategic Service**/Back Office Administration/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 June 30th ($,000 except earnings per share)

	2006	**2005**	**2004**
Revenue	**$42,056**	**$20,017**	**$17,463**
Cost of sales	34,725	15,858	13,404
Gross margin	**7,331**	**4,159**	**4,059**
Other operating costs	6,227	3,873	3,460
Restructuring Costs	1,645	—	—
EBITDA	**(541)**	**286**	**599**
Interest	927	128	53
Amortization	1,715	543	655
Earnings (loss) before tax	**(3,184)**	**(384)**	**(109)**
Income tax	(721)	(139)	2
Non-controlling interest	—	—	(31)
Net (loss) earnings	**$(2,463)**	**$(246)**	**$(80)**
Earnings (loss) per share-basic	$(0.06)	$(0.01)	$(0.00)
Earnings (loss) per share-fully diluted	$(0.06)	$(0.01)	$(0.00)

For the nine months ended June 30th ($,000 except earnings per share)

	2006	2005	2004
Revenue	**$119,254**	**$57,355**	**$52,317**
Cost of sales	99,052	45,001	39,760
Gross margin	**20,202**	**12,354**	**12,557**
Other operating costs	17,297	10,303	9,562
Restructuring Costs	1,645	—	—
EBITDA	**1,260**	**2,052**	**2,994**
Interest	2,556	378	255
Amortization	4,454	1,626	2,312
Earnings (loss) before tax	**(5,750)**	**48**	**427**
Income tax	(867)	(76)	79
Non-controlling interest	—	—	—
Net (loss) earnings	**$(4,883)**	**$124**	**$348**
Earnings (loss) per share-basic	$(0.12)	$0.00	$0.00
Earnings (loss) per share-fully diluted	$(0.12)	$0.00	$0.00

REVIEW OF OPERATIONS

Revenues

Revenues for the June quarter Fiscal 2006 increased $22,038,806 or 110.1% versus the June quarter Fiscal 2005 from $20,017,394 to $42,056,200. The revenues for the nine months ending June 30th, 2006 increased $61,899,031 or 107.9%, to $119,253,993, up from $57,354,962 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 $40,478,195 or 96.2% of total revenues for the June quarter fiscal 2006 compared to $18,085,270 or 90.3% in the same quarter fiscal 2005. For the nine months ended June 30, 2006, the Staffing Division accounted for $115,678,650 or 97.0% of total revenues compared to $51,151,395 or 89.2% for the same period in fiscal 2005, representing an increase of $64,527,255 or 126.1% increase over the prior year periods. As noted above, the increase is mainly attributable to the acquisitions of AJJA and iGate, representing approximately $60 million of the total increase, and a $5 million increase in the IT staffing business, mainly in Toronto, as a result of organic growth and being classified as the primary vendor on contract arrangements.

Brainhunter's Treklogic Solutions Division accounted for $1,578,005 or 3.8% of total revenues in the June, 2006 quarter compared to $1,932,124 or 9.7% of total revenues for the same quarter in fiscal 2005. In the nine months ended of fiscal 2006, the Treklogic Solutions Division accounted for $3,575,343 or 3.0% of total revenues compared to $6,203,567 or 10.8% in the same periods in fiscal 2005, representing a decrease of $2,628,224 or 42.4% decrease over the prior year periods. The decrease is mainly attributable to a $2.6 million decline in a customer's activity on contracts compared to the prior year period. This decline has now been stopped. A number of new customer relationships caused third quarter sales to increase to $1,578,005 from $1,115,512 in the second quarter and $881,826 in the first quarter. Continual improvement is expected in the fourth quarter.

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the nine months ended June 30th, 2006, 45.3% of revenues related to various Federal Government of Canada agencies and departments, compared to 44.1% 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 the coming years 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 $18,867,631 or 119% for the Q3 Fiscal 2006 versus Q3 Fiscal 2005 from $15,857,675 to $34,725,307, and on a June YTD basis the cost of sales increased $54,051,236 or 120.1% from $45,000,659 in the first nine months of fiscal 2005 to $99,051,896 in the same period 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 79.2% in the Q3 Fiscal 2005 to 82.6% in the Q3 Fiscal 2006. For the nine months of fiscal 2005, the cost of sales as a percentage of revenues increased from 78.5% to 83.1% 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 $33,801,777 or 97.3% of the total cost of sales in the June quarter Fiscal 2006 compared to $14,919,740 or 94.1% of the total cost of sales in the same quarter of Fiscal 2005. On a June YTD basis, the Company's Staffing Division's cost of sales for 2006 accounted for $96,774,315 or 97.7% of the total cost of sales compared to $41,421,737 or 92.0% in same period of fiscal 2005, representing an increase of $55,352,578 or 133.6% increase over the same periods in the prior year. The gross margin related to the Staffing Division is $6,676,418 or 16.5% of related revenues in the quarter of June 2006 compared to $3,165,530 or 17.5% in the same quarter in 2005. On a June 2006 YTD basis, the gross margin for the Staffing Division is $18,904,336 or 16.3% of related revenues, compared to $9,1729,658 or 19.0% 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 Treklogic Solution Division accounted for $923,530 or 2.7% of the total cost of sales in the June quarter Fiscal 2006 versus $937,936 or 5.9% in the same quarter Fiscal 2005. The Cost of Sales in the Solutions Division for the nine months ended June 30th, 2006 amounted to $2,277,582 or 2.3% of the total cost of sales, compared to $3,578,923 or 8.0% of the total cost of sales for the same period in the prior year, representing a decrease of $1,301,341 or a 36.4% decrease over the prior year. The gross margin related to the Solutions Division was $654,475 or 41.5% of related revenues in the June quarter Fiscal 2006 compared to $944,188 or 51.5% of related revenue for the June quarter of Fiscal 2005. On a June YTD basis, the gross margin related to the Treklogic Solutions Division was $1,297,761 or 36.3% of related revenues for Fiscal 2006 versus $2,624,645 or 42.3% of related revenues for Fiscal 2005. The $1,326,884 or 50.6% 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 $7,330,893 or 17.4% of revenues in the quarter ending June 30th, 2006, compared to $4,159,719 or 20.8% of revenues in the quarter ending June 30th, 2005. On a June YTD basis the gross margins amounted to $20,202,097 or 16.9% of revenues for Fiscal 2006, compared to $12,354,303 or 21.5% of revenues for the same period for Fiscal 2005. The gross margin fluctuates as it is dependent on the level of revenue generated from each division, and changes due to demands and competition in the market place, and as noted above, it has been impacted by vendor managed payrolling sales.

Restructuring Allowance

As discussed earlier in this MD&A, in October 2005, the Company acquired AJJA Information Technology Consultants Inc. and in November 2005, the Company acquired iGate Mastech Limited. These two acquisitions approximately doubled the annual revenues of the company. As part of the process of integrating the two acquisitions into the Company, executive management determined that the Company's resulting cost structure was inappropriate for the existing business and anticipated organic growth. As a result, the Company rationalized its Toronto operations including senior management as well as positions in sales, recruiting, and administration. The expected cost savings on an annualized basis is in excess of $2,100,000.

The anticipated severance costs are approximately $1,400,000, and therefore an allowance in that amount was taken in the June quarter, as required by accounting policy. At the same time, certain leased real estate became redundant as a result of combining the operations of the acquired companies with that of existing Company facilities. The Company has determined that the cost to the Company disposing of the excess rented premises $150,000 and has recorded an allowance in that amount.

As well, the Company has determined that an allowance of $100,000 is appropriate to cover the costs of certain other items associated with acquisitions, including the costs of concluding litigation.

In total, the Company recorded an allowance of $1,645,000 in the June quarter. The Company expects to pay the bulk of the amounts involved over the next 12 months. The effect on pro-forma earnings net of allowance for income tax is approximately $1,050,000. The Company has usable tax loss carry-forwards and does not expect to pay any material income tax.

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

Overhead expenses showed an increase of $3,998,181 in the June quarter 2006 versus June quarter 2005 from $3,873,625 to $ 7,871,806, and an increase of $8,639,180 for the first nine months of fiscal 2006 versus the first nine months of fiscal 2005 from $10,302,651 to $18,941,831. The increase is attributable to the acquisitions of AJJA & iGate and a provision for restructuring costs of $1,645,000 resulting from a combination of redundant leased office space of $400,000 and the reduction of number of staff positions, including senior management, administration, sales and recruiting personnel. As a percentage of Revenue, overhead expenses were 18.7% for the June quarter Fiscal 2006 down from 19.4% in the same quarter Fiscal 2005. On a June YTD Basis, the Overhead expenses are 15.9% for Fiscal 2006 down from 18.0% in the same period of Fiscal 2005.

Other staffing costs have increased $2,019,261 or 91.4% to $4,227,666 up from $2,208,405 in the quarter ending June 30th, 2006, and increased $5,526,658 or 89.1% to $11,727,938 in the nine months ended June 30th, 2006, up from $6,201,280 for the same periods in the prior year. The increase is attributable to the acquisition of iGate and AJJA.

Selling, general and administrative expenses has increased $333,920 or 20.1% to $1,999,140 in the quarter ending June 30th, 2006 from $1,665,220 in the same quarter last year and increased $1,467,522 or 35.8% to $5,568,893 in the first nine months of fiscal 2006, up from $ 4,101,371 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 7.2% in the first nine months of fiscal 2005 to 4.7% in the first nine months of fiscal 2006.

Earnings before Interest, Taxes and Amortization (EBITDA)

Before the Restructuring Charges of $ 1,645,000, the Company would have reported earnings of $ 1.1 million, however as a result of the Restructuring Charges, EBITDA is reported as $(540,913) for the third quarter of Fiscal 2006 versus $286,094 for the same period in Fiscal 2005. On an YTD basis, EBITDA is $1,260,266 for the first nine months of fiscal 2006 versus $2,051,652 for the same nine months of fiscal 2005. EBITDA declined as a percentage of Revenue to -1.3% in the third quarter of Fiscal 2006, from 1.4% in the same quarter of Fiscal 2005. In the nine months ended June 30th, 2006, EBITDA declined as a percentage of Revenue 1.1% from 3.6% in the nine months ended June 30th, 2005. As noted previously, the decline is largely due to the decline in gross margin from 21.5% of sales in the first nine months of fiscal 2005 to 16.9% of sales in the first nine months of fiscal 2006 and restructuring charges.

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 June 30, 2006	3 months ended June 30, 2005	9 months ended June 30, 2006	9 months ended June 30, 2005
Non-cash	$287,296	$16,241	$935,908	$53,191
Cash	$640,169	$112,024	$1,620,393	$324,312

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 in the June quarter 2006 is $255,825 and $1,187,334 respectively up from $343,392 for capital assets and $199,167 for intangible assets, in the quarter June, 2005. In the June YTD basis, the amortization expense for capital assets is $793,405 and $3,153,001 for intangible assets in 2006 up from $963,787 for capital assets and $662,084 for intangible assets in the first nine months of fiscal 2005. 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 $3,183,677 for the quarter ending June 30th, 2006 versus a loss of $384,730 for the quarter ending June 30th, 2005, and a loss of $5,749,995 for the nine months ended June 30th, 2006 versus income of $48,278 for the nine months ended June 30th, 2005. As noted previously, the loss is largely the result of amortization expenses of intangible assets from acquisition activities $1,187,334 and restructuring cost accrued for the June 2006 quarter of $1,645,000.

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 tax 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. The future tax losses amounted to $(721,079) in the current quarter June Fiscal 2006, and $(138,742) for the same quarter in the prior year and on a YTD basis the income tax expense amounted to $(866,613) as of June 2006 and $(75,854) for June 2005. The income tax expense is a non cash expense.

Net Earnings (Loss)

The Company is reporting a net loss of $2,462,598 or $(0.06) per share basic and diluted for the quarter ending June 30th, 2006, and $(245,988) or $(0.01) per share basic and diluted for the quarter ending June 30th, 2005. For the nine months ended June 30th, 2006, the net loss reported is $4,833,380 of $(0.12) per share basic and $(0.12) per share diluted and the nine months ended June 30th, 2005 the company reported a net earnings of $124,132 or $0.00 per share basic and diluted earnings

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			
		Jun 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005
Revenue		42,056	43,336	33,862	18,707
Net income (loss)		(2,463)	(1,482)	(938)	(3,516)
Net income (loss) per share	-Basic	$(0.06)	$(0.04)	$(0.02)	$(0.06)
	-Diluted	$(0.06)	$(0.04)	$(0.02)	$(0.06)
		Jun 30 2005	Mar 30 2005	Dec 31 2004	Sep 30 2004
Revenue		20,017	19,548	17,789	16,576
Net income (loss)		(246)	235	136	(131)
Net income (loss) per share	-Basic	$(0.01)	$0.01	$ 0.00	$(0.00)
	-Diluted	$(0.01)	$0.01	$ 0.00	$(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 June 30th, 2006, the Company reported Bank Indebtedness of $19,345,365. This number consisted of the actual draw against the Company's line of credit of $20,000,000 offset by Cash on hand of $85,859.

The Company's line of credit as of June 30th, 2006 is $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 nine months ended June 30th, 2006 was $1,196,960, while cash used in Operations for the nine months ended June 30th, 2005 was $(1,725,903). This significant improvement resulted mainly from the net change in non-cash working capital, which decreased from $(3,643,941) to $758,635, 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 $36,680 in the third quarter of Fiscal 2006 and $60,662 in the first three quarters of 2006 on the issue of common shares due to the exercise of options. This compares to $130,285 raised in the third quarter of 2005 from the exercise of options.

Advances to Related Parties

The company recorded net repayments of $51,215 to related parties during the nine months ended June 30th, 2006, compared to net repayments of $81,061 in the nine months ended June 30th, 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 $131,688 of long-term debt during the third quarter of 2006, compared to repayments of $139,500 in the third quarter of 2005. In the first three quarters of FY2006 repayments of long-term debt amounted to $516,284 compared to $289,500 for the first nine 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 $1,044,746 on Capital Expenditures during the nine months ended June 30th, 2006, somewhat lower than the $1,420,017 spent in the nine months ended June 30th, 2005. The current expenditures were made primarily in enhancing the Brainhunter software ($220,632) and in computer hardware and software ($18,187).

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 June 30th, 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.