

BRAINHUNTER INC.

**Management Discussion and Analysis
For the Period Ended
September 30, 2007**

December 31, 2007

BASIS OF PRESENTATION

The Management's Discussion and Analysis, dated December 31, 2007 should be read in conjunction with the audited consolidated financial statements and the accompanying notes. Additional information relating to Brainhunter Inc. ("Brainhunter") is available on SEDAR.

The Company's audited 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

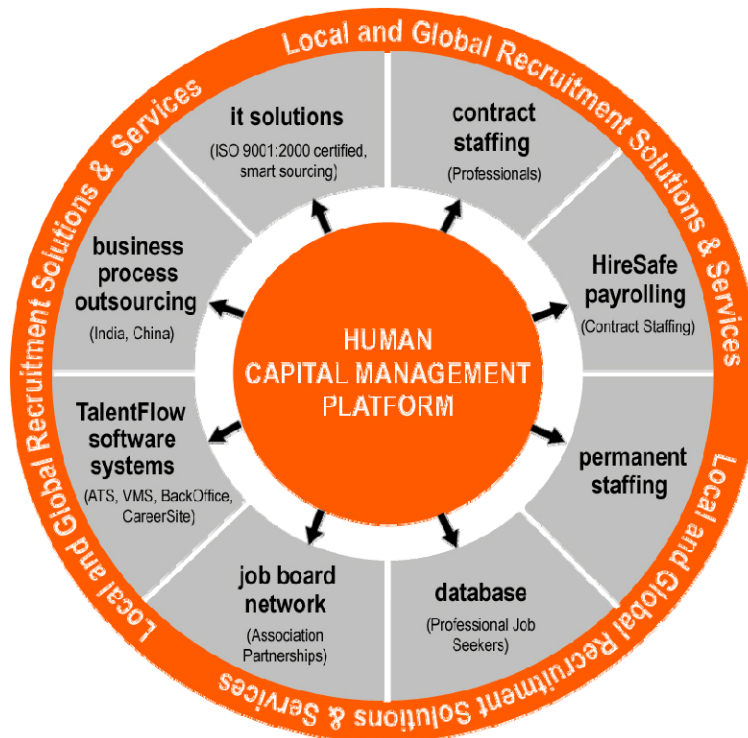
Certain statements in this MD&A may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Brainhunter and its subsidiary entities, or the industry, to be materially different 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. The 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; collectability 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 Staffing Procurement Services and Solutions**” company. Brainhunter’s business is focused on using the Brainhunter Human Capital Management Platform to provide fully integrated end-to-end recruiting and staffing services and solutions in the following market sectors: Information Technology, Engineering, Industrial and Health Care.

These services are provided to customers throughout Canada, the United States and globally under the brand Brainhunter. Brainhunter’s multifaceted revenue stream is in seven related practice areas including:

Contract Staffing (Annuity Revenue), **Permanent Staffing** (Transaction Fees / Retainers), **Specialized Job Boards** (Posting Fees / Subscriptions), **Technology Sales** (Licenses / Services), **Professional Services / Solutions Delivery** (Project Revenue), **Business Process Outsourcing (“BPO”) Centre** (Annuity Revenue), **Infrastructure Services** (Annuity Revenue)



Brainhunter’s Technology Platform and Best practices strive to deliver the most cost effective and flexible recruiting and staffing solutions in the marketplace today. Brainhunter offers solutions that are modular in nature and are customizable to suit both small and large scale business processes. Brainhunter’s customer base includes

over 200 of North America's leading corporation's plus over 30 federal and provincial government departments. Brainhunter's Job Seeker Database currently holds over 1.2 million professional resumes and is one of the largest active databases for professional staffing in North America.

Brainhunter is a publicly traded company with a senior listing on the Toronto Stock Exchange (**TSX:BH**). Brainhunter deploys over 1,700 Contractors / Consultants with an internal staff of over 250 personnel. The Company has delivery capability in Toronto, Ottawa, Maritimes, Montréal, Calgary, Edmonton, Vancouver, activities in Dalian China, a BPO office in Hyderabad, India and delivery capability in select US jurisdictions.

REVIEW OF OPERATIONS

Revenues

Revenues for the fiscal year ending September 30, 2007 increased \$58,061,235 or 34.9% versus the year end of Fiscal 2006 from \$166,503,522 to \$224,564,757. The increase is attributable to organic growth in all sectors of the business and also from the timing of the acquisitions of AJJA and iGate in Q1 of Fiscal 2006.

Brainhunter's Staffing Division accounted for \$217,511,172 or 96.9% of total revenues for fiscal 2007 compared to \$163,271,838 or 98.1% in fiscal 2006, representing an increase of \$54,239,334 or 33.2% increase over the prior year period. The increase is mainly attributable to an increase in the IT and engineering staffing business, as a result of organic growth and being classified as the primary vendor on contract arrangements and also from the timing of the acquisitions of AJJA and iGate in Q1 Fiscal 2006.

Brainhunter's Solutions Division accounted for \$7,053,585 or 3.1% of total revenues in fiscal 2007 compared to \$3,231,684 or 1.9% in fiscal 2006, representing an increase of \$3,821,901 or 118.3% increase over the prior year period. The increase is mainly attributable to a rise in customer's activity on contracts and a growth in new customer relationships.

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the year, 37.2% of revenues related to various Federal Government of Canada agencies and departments, compared to 45.8% of revenues from the prior year. The overall dollar values of revenues derived from the Federal Government has increased during the year ended September 30, 2007 to \$83,049,542 compared to \$76,286,765 in fiscal 2006. The revenues derived from the Federal Government of Canada are declining as a percentage of total Company revenues as more revenues are derived from other sectors of the economy.

Management believes that there are trends in North America, which will provide the Company with significant opportunities 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 will significantly drive our revenue and profitability growth.

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 \$51,673,914 or 37.2% from \$138,830,406 in 2006 to \$190,504,320 in 2007, an amount commensurate with the increase in revenues. Cost of sales as a percentage of revenues increased from 83.4% in fiscal 2006 to 84.8% in fiscal 2007 on a period-over-period basis reflecting the evolution in the mix of the business 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 \$186,647,169 or 98.0% of the total cost of sales in 2007 compared to \$137,096,548 or 98.8% of the total cost of sales in 2006, representing an increase of \$49,550,621 or 36.1% increase over the prior year. The gross margin related to the Staffing Division is \$30,864,003 or 14.2% of related revenues in 2007 compared to \$26,175,291 or 16.0% of related revenue in 2006. The decrease in gross margin percentage is a result of the vendor managed payrolling sales, as noted above, which have lower margins than the traditional full-service contract staffing sales.

Cost of sales in the Company’s Solution Division accounted for \$3,857,151 or 2.0% of the total cost of sales in 2007 compared to \$1,733,859 or 1.2% of the total cost of sales in the prior year, representing an increase of \$2,123,292 or 122.5% increase over the prior year. The gross margin related to the Solutions Division is \$3,196,434 or 45.3% of related revenues in fiscal 2007 compared to \$1,497,825 or 46.3% of related revenue from fiscal 2006. The \$1,698,609 or 113.4% increase in gross margin is a result of organic growth in the Solution’s Division as a result of new customer relationships and a rise in customer contracts.

Overall, the Company reported gross margins of \$34,060,437 or 15.2% of revenues in the year ending September 30, 2007, compared to \$27,673,116 or 16.6% of revenues in the year ending September 30, 2006. 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 the increase in vendor managed payrolling revenues, which have lower percentage of gross margins.

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

Overhead expenses showed an increase in fiscal 2007 versus fiscal 2006 of \$1,665,114 from \$24,627,420 to \$26,292,534 representing a 6.8% increase. As a % of Revenue, overhead expenses were 11.7% in fiscal 2007, down from 14.8% the previous year.

Other staffing costs have increased \$1,636,967 or 9.3% to \$19,248,137 in 2007, up from \$17,611,170 in the prior year due to the change in commission structure in 2007. The selling, general and administrative expenses have increased \$28,147 or 0.4% in fiscal 2007 from \$7,016,250 to \$7,044,397. As a percentage of revenue the selling, general and administrative costs have decreased from 4.2% in fiscal 2006 to 3.1% in fiscal 2007.

Earnings before write off of capital assets, transaction costs, interest, taxes amortization and other (EBITDA)

As the result of the above, EBITDA is reported as \$7,767,903 for fiscal 2007 versus \$3,045,696 for fiscal 2006. EBITDA increased as a percentage of Revenue, from 1.8% in 2006 to 3.5% for fiscal 2007. As noted previously, the increase is largely due to organic growth in both the Staffing and Solutions business.

Write-Off of Capital Assets

Prior to December 31, 2007, the Company occupied space on 1 complete floor and 2 partial floors in its Toronto location. On December 1, 2007, the Company surrendered leases for the two small spaces and entered into one lease for a single space, so that the Company has two full floors in the building. The Company decided to prospectively record a provision for \$120,000 at September 30, 2007 for the write-off of leasehold improvements arising from the space consolidation which was to take place December 1, 2007.

Transaction Expenses

In 2007, the Company adopted the new CICA policy “Financial Instruments” changed its accounting policy relating to transaction costs of obtaining the bank and long-term debt financing paid to intermediaries and professional advisors aiding the Company in obtaining the financing. Under the new policy those costs are expensed as incurred as a separate line on the consolidated statements of operations and loss which amounted to \$113,784 in fiscal 2007. In previous years, those transactions costs were deferred and amortized over the term of the related financing as a separate line in the consolidated statement of operations and loss and the amortized balance disclosed in the deferred financing costs on the consolidated balance sheets.

Interest

The interest costs are predominantly related to amounts paid on the Company's term bank facility, 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.

	2007	2006
Interest Expense	\$3,003,503	\$2,484,580
Interest Expense accreted	\$1,474,368	\$1,117,631
Interest actually paid in cash	\$2,779,764	\$2,484,580

Interest expense is 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 fiscal 2007 is \$1,736,791 and \$3,901,336 respectively, an increase of \$662,473 for capital assets mainly due to the amortization of Brainhunter's developed software (\$1,045,262) and an increase of \$287,000 for intangible assets, from the prior year.

Other

During Fiscal 2007 the Company recorded, as an expense, costs of \$341,576 which it incurred relating to a 2005 acquisition, Promethean Systems Consultants Inc. In addition, the Company recorded as an expense an amount of \$30,036 which represents the non-cash increase in the estimate of the interest guarantee on the \$5,000,000 debenture held by Roynat. Under the new accounting policies this interest guarantee is regarded as an embedded derivative and therefore subject to annual revaluation.

Loss before Income Tax

Based on all of the above, the Company is reporting a loss before income taxes of \$2,953,491 for fiscal 2007 compared to a loss of \$6,162,160 for fiscal 2006. As noted previously, the loss is largely the result of amortization expenses of intangible assets from acquisition activities of \$3,901,336, accreted interest of \$1,474,368, amortization of capital assets of \$1,736,791 and interest of \$3,003,503.

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 losses recorded. The Company has sufficient tax losses acquired through acquisitions to reduce the payment of income taxes but is still subject to corporate minimum taxes, and future tax provisions. The Company has recorded a recovery of \$2,884 in Fiscal 2007 compared to a recovery of \$1,461,788 for fiscal 2006.

Net Loss

The Company is reporting a net loss of \$2,950,607 or \$0.07 per share basic and diluted for fiscal 2007, compared to a net loss of \$4,700,372 or \$0.11 per share basic and diluted for the fiscal 2006.

SELECTED ANNUAL INFORMATION

For the year ended September 30th (\$,000 except earning per share)

	2007	2006	2005
Revenue	224,565	166,503	76,061
Cost of Sales	190,504	138,830	59,984
Gross Margin	34,061	27,673	16,077
Other operating costs	26,293	24,627	15,127
Earnings before write off of capital assets, transaction costs, interest, amortization and other	7,768	3,046	950
Transaction Expenses	114	-	-
Write Off of Capital Assets	120	-	-
Interest	3,004	2,481	419
Interest accreted	1,474	1,118	56
Amortization of capital assets	1,737	1,074	899
Amortization of intangibles	3,901	3,614	1,113
Amortization of deferred financing costs	-	917	-
Other	372		
Loss before tax	(2,954)	(6,158)	(1,537)
Income Tax	(3)	(1,462)	1,853
Net loss	(2,951)	(4,696)	(3,390)
Loss per share basic	(\$0.07)	(\$0.11)	(\$0.08)
Loss per share fully diluted	(\$0.07)	(\$0.11)	(\$0.08)
Total assets	83,780	83,708	38,093
Total liabilities	42,936	38,754	1,055

SELECTED QUARTERLY INFORMATION

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

	Quarter ended			
	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006
Revenue	\$ 54,707	\$ 56,575	\$ 58,553	\$ 54,730
Income before write off of capital assets, transaction costs, interest, amortization and other	\$ 1,591	\$ 2,027	\$ 2,142	\$ 2,007
Net loss	\$ (2,011)	\$ (445)	\$ (232)	\$ (261)
Net loss per share - Basic	\$ (0.05)	\$ (0.01)	\$ (0.01)	\$ (0.01)
- Diluted	\$ (0.05)	\$ (0.01)	\$ (0.01)	\$ (0.01)
	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
Revenue	\$ 47,250	\$ 42,056	\$ 43,336	\$ 33,861
Income (loss) before write off of capital assets, transaction costs, interest, amortization and other	\$ 1,786	\$ (541)	\$ 1,087	\$ 715
Net income (loss)	\$ 184	\$ (2,463)	\$ (1,483)	\$ (938)
Net loss per share - Basic	\$ (0.01)	\$ (0.06)	\$ (0.04)	\$ (0.02)
- Diluted	\$ (0.01)	\$ (0.06)	\$ (0.04)	\$ (0.02)

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 work.

Liquidity

The nature of the Company's business requires it to have access to cash to fund the payments to contractors until the related invoices to the Company's clients can be collected. To that end, the Company relies on cash generated from operations, and has a term credit facility with a Schedule "A" bank.

Term Credit Facility

The Company's term bank facility as of September 30, 2007 was \$26,000,000. The Company's interest rate is prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio. This term bank facility was obtained November 14th, 2005, in the amount of \$20,000,000 with a maturity date of November 14, 2007. On September 22, 2006 the facility was increased to \$22,000,000 and the maturity date was revised to October 15, 2008. The facility was increased on May 14, 2007 to \$26,000,000.

The Company has requested the bank to increase the credit facility to extend the term of the facility beyond its current term date of October 15, 2008, and to amend the ratio covenants. At date of writing, negotiations are proceeding.

Under the terms of the term bank facility agreement, the Company is required to fulfill the conditions of two ratio covenants. At September 30, 2007, the Company was in accordance with the Debt-to-Equity Covenant, but in violation of the Fixed Cost Coverage covenant; the Company had a ratio of 1.23 versus the required ratio of 1.25. The lending bank has agreed to waive the covenant requirement as at September 30, 2007. On December 24, 2007, the bank temporarily increased the facility by \$4,000,000 to \$30,000,000 until January 14, 2008, when the facility is expected to revert to \$26,000,000.

Cash from Operations

Cash generated by operations for the year ended September 30, 2007 is \$4,433,298 while for the year ended September 30, 2006 the cash used by operations was \$432,016. This significant change resulted mainly from the improvement in Earnings before write-off of capital assets, transaction costs, interest amortization and other from \$3,045,696 in fiscal 2006 to \$7,767,903 in fiscal 2007.

Cash was used in operations to increase non-cash working capital, primarily accounts receivable which increased by \$4,864,276 as a result of growth in the business.

Obligations by year (\$,000)

			Operating Leases	Long Term Debt		Total
				Pay in Cash	Pay in Shares	
Year ending:	Sept	2008	\$1,791	\$3,030	\$200	\$5,021
	Sept	2009	\$1,659	\$14,683	-	\$16,343
	Sept	2010	\$1,467	\$76	-	\$1,543
	Sept	2011	\$1,459	-	-	\$1,459
	Sept	2012	\$1,480	-	-	\$1,480
	Sept	2013	\$1,459	-	-	\$1,459
	Sept	2014	\$1,345	-	-	\$1,345
	Sept	2015	\$526	-	-	\$526
	Sept	2016	\$253	-	-	\$253
	Sept	2017	\$21	-	-	\$21
	Total		\$11,460	\$17,789	\$200	\$29,449

Issue of Common Shares

Pursuant to exercise of warrants the Company received \$8,000 during the year ; also issued common shares as the repayment of debt worth \$258,216 in fiscal 2007. As well, as a result of the exercise of options during 2007, the Company raised \$220,200 compared to raising \$66,299 in 2006.

Advances to Related Parties and Share Purchase Loans

In fiscal 2007 the company recorded an advance to a senior executive of \$253,333 in fiscal 2007 compared to recording a repayment of \$92,009 for the prior year. This advance is repayable in October, 2008 and pays interest of 8% per annum. The loan was collateralized by a convertible note in the amount of \$258,000 held by the executive which was issued by the Company as part of its 8% convertible note financing issued in 2005. This loan was accounted for as due from related parties.

In fiscal 2007, the Company advanced \$235,620 to a senior executive to acquire shares in the Company, compared to advancing \$242,000 in the prior year. The loan is collateralized by the Company shares, and is accounted for as an offset to Share Capital.

Repayment of Long-term Obligations

The Company repaid \$3,099,147 of long-term debt during fiscal 2007, compared to a repayment of \$587,104 in fiscal 2006. All of the repayments are scheduled payments on long-term debt. The Company expects to repay approximately \$3,230,000 in long term debt in fiscal 2008, pursuant to the terms of the debt instruments.

Proceeds from Long-Term Financing

On February 2, 2007, the Company closed a convertible note financing, raising \$2,586,000. The principal is repayable only at maturity, being February 2, 2009. Interest is accrued quarterly at 10% per annum in cash or shares of the Company at the option of the note-holder. The notes are convertible at any time to shares of the Company at a price of \$0.75 per share. Each \$100 note was entitled to 50 common share purchase warrants exercisable at \$0.60 per share until February 2, 2009. Company management and directors subscribed to \$1,350,000 of the financing.

Capital Expenditures

The Company recorded \$1,300,729 on Capital Expenditures during fiscal 2007, compared to the \$1,699,252 spent in fiscal 2006. The current expenditures for 2007 were made primarily in enhancing the Brainhunter software (\$286,912), and in computer hardware and software (\$350,740), and leasehold improvements of (\$552,602) for the Company's new premises in Ottawa, and Calgary and Toronto. The expenditure on leasehold improvements is being offset by leasehold improvement allowances of \$380,848 in total.

The company has no major commitments to capital expenditures. Capital expenditures for Fiscal 2008 are planned at approximately \$900,000, being the completion of leasehold improvements in its corporate offices, and replacement of computer equipment and furniture when required.

OTHER

Change in Accounting Policy

Financial instruments

Effective October 1, 2006, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 1530: Comprehensive Income; Section 3251: Equity; Section 3855: Financial Instruments – Recognition and Measurement; and Section 3865: Hedges, retroactively, without restatement. These new Handbook sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including

derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its accounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, debt and the term bank facility are classified as other financial liabilities and measured at amortized cost. The principal changes in the accounting for financial instruments are described below.

Costs of obtaining bank and long-term debt financing

The Company has changed its accounting policy relating to costs of obtaining bank and other debt financing paid directly to the financing institution. Those costs are now netted against the carrying value of the related debt and amortized into accreted interest expense using the effective interest rate method, resulting in an increase in interest expense of \$374,167. Prior to the adoption of the new standards, those costs were previously reported in deferred costs and amortized over the term of the related financing. The amortization of these costs was reported as a separate line in the consolidated statements of operations and loss and the amortized balance disclosed in deferred costs on the consolidated balance sheets.

The Company has also changed its accounting policy relating to transaction costs of obtaining bank and long-term debt financing paid to intermediaries and professional advisors aiding the Company in obtaining the financing. Under the new policy those costs are expensed as incurred as a separate line in the consolidated statements of operations and loss. Under the previous policy those transaction costs were deferred and amortized over the term of the related financing as a separate line in the consolidated statements of operations and loss and the amortized balance disclosed in deferred financing costs on the consolidated balance sheets. The change in policy has been made retrospectively effective October 1, 2006 and had the effect of increasing the deficit at October 1, 2006 by \$911,027.

Embedded Derivative

Included in the Company's debt in the financial statements as described in note 10(a) is an embedded derivative. Based upon the new recommendations, the financial instrument is required to be bifurcated with the embedded derivative recorded at fair value at each reporting date and the resultant change in fair value is included in other expenses. The change in policy has been made retrospectively effective October 1, 2006 and resulted in a decrease in warrants and long-term debt of \$58,840 and \$163,165, respectively, an increase in derivative liability of \$352,983 and an increase to the deficit at October 1, 2006 by \$130,978.

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. The company is also exposed to risk as its term bank facility interest rate fluctuates with the prime interest rate.

Transactions with Related Parties

Related Party transactions consists of loans to companies related to the Charirman of the Company which are non-interest bearing and with no fixed repayment terms and also a loan to the President of the Company collateralized by convertible term notes issued by the Company with an 8% interest and a maturity date of the convertible note.

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.

Internal Control Over Financial Reporting

During the most recent period ending September 30, 2007, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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.