

BRAINHUNTER INC.

**Management Discussion and Analysis
For the Year Ending
September 30th, 2006**

December 29, 2006

BASIS OF PRESENTATION

The Management's Discussion and Analysis, dated December 15, 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.

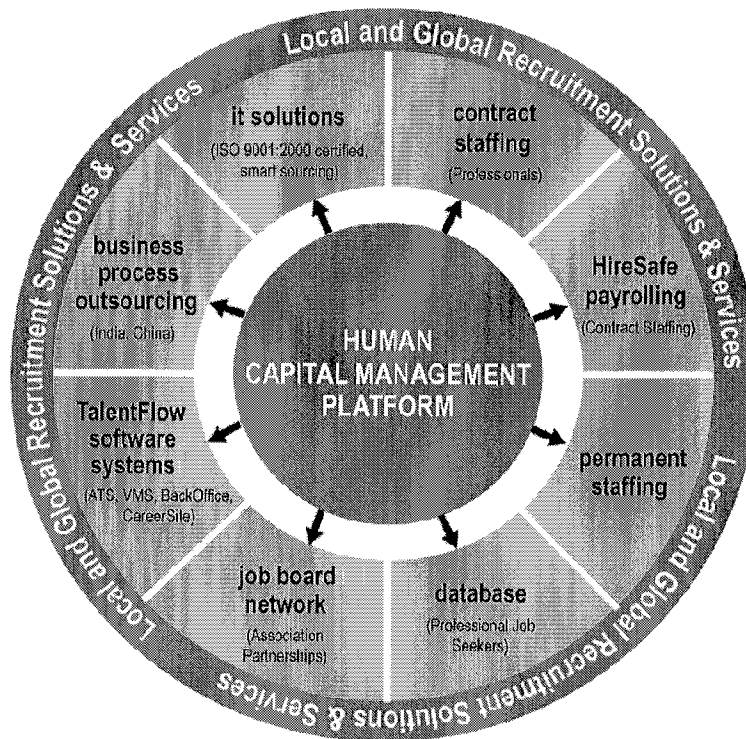
The Company's interim unaudited consolidated financial statements and accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP") of the Canadian Institute of Chartered Accountants ("CICA") using the same accounting policies and methods as the most recent audited 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 (or the “Company”) is a leader in the global delivery of Human Capital Management (“HCM”) Solutions, Services and Software. Focused on all aspects of Staffing Procurement within organizations, Brainhunter provides end-to-end capability on a very robust, highly scalable, web enabled technology platform.



Brainhunter specializes in providing end-to-end recruiting and staffing solutions and services for 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. Functionality extends to 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 related practice areas, including:

1. Contract Staffing (Annuity Revenue) – High Growth

- Full Service
- HireSafe Payrolling
- Recruiting Support
- BackOffice Processing

2. **Permanent Staffing** (Transaction Fees / Retainers) – **Strategic**
 - 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. **TalentFlow Software Systems** (Licenses / Services) – **Strategic**
 - Applicant Tracking System
 - Vendor Management System
 - BackOffice Systems
 - CareerSite Systems
5. **Business Process Outsourcing** (India / China) (Annuity Revenue) - **High Growth**
 - 24/7 Recruiting / Sales and Customer Support
 - 24/7 Telemarketing
 - Outsourcing of Specialized Business Processes
 - SmartSourcing of Software Support and Development
6. **Professional Services / Solutions Delivery** (Project Revenue) - **Strategic**
 - Brainhunter Technology Platform Development, Support, Customization
 - Outsourcing / SmartSourcing®

Brainhunter's Human Capital Management Platform, supported by best practices, is believed to deliver the most cost effective, flexible and customizable recruiting and staffing solutions, services and processes in the marketplace today. The Platform is deployed internally and is delivered externally in a modular capacity, or as a fully integrated end-to-end solution. Software is sold 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 1,600 Contractors/Consultants with an internal staff of over 250 personnel. The Company has delivery capability in Toronto, Ottawa, Winnipeg, Montréal, Calgary, Edmonton, Vancouver, Maritimes as well as activities in Dalian, China and in Hyderabad, India.

THE YEAR 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 2006, our preferred supplier arrangements increased to over 75, 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 8 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.

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 2007 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	589,501
	12,330,769

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	12,534,096
Vendor-take-back loans	399,829
Transaction costs	901,000
	<u>13,834,925</u>

Financing

Term Bank Facility

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 September 22, 2006, the demand credit facility was increased from \$20,000,000 to \$22,000,000 on substantially the same terms.

\$5,000,000 Debenture

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%.

8% Convertible Note Financing

In October through 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

