

BRAINHUNTER INC.

**Management Discussion and Analysis
For the Period Ended
December 31, 2007**

February 9, 2008

BASIS OF PRESENTATION

The Management's Discussion and Analysis, dated February 9, 2008 should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes for the period ended December 31, 2007. Additional information relating to Brainhunter Inc. ("Brainhunter") is available on SEDAR.

The Company's 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

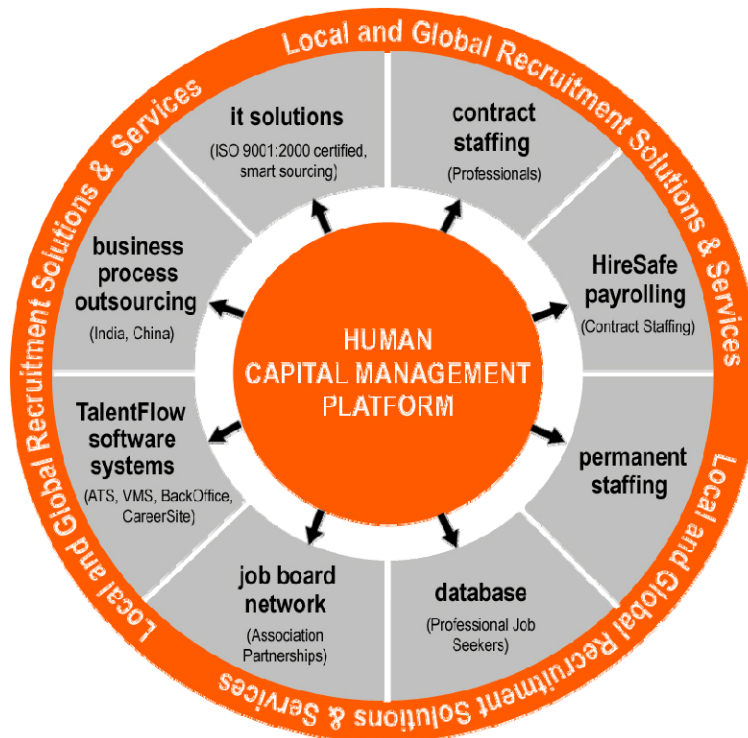
Certain statements in this MD&A may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Brainhunter and its subsidiary entities, or the industry, to be materially different 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. 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 1,800 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 three months ending December 31, 2007 increased \$4,399,726 or 8% versus the three months ending December 31, 2006 from \$54,730,398 to \$59,130,124. The increase is attributable to organic growth in all sectors of the business.

Brainhunter's Staffing Division accounted for \$56,805,845 or 96.1% of total revenues for Q1 fiscal 2008 compared to \$52,838,097 or 96.5% in Q1 fiscal 2007, representing an increase of \$3,967,748 or 7.5% 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.

Brainhunter's Solutions Division accounted for \$2,324,279 or 3.9% of total revenues in Q1 fiscal 2008 compared to \$1,892,301 or 3.5% in Q1 fiscal 2007, representing an increase of \$431,978 or 22.8% 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 three months ending December 31, 2007, 32.6% of revenues related to various Federal Government of Canada agencies and departments, compared to 39.3% of revenues from the prior year. The overall dollar values of revenues derived from the Federal Government has decreased during the three months ending December 31, 2007 to \$19,296,919 compared to \$20,343,851 in the same period prior year. 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 primarily the costs of contract staff, and billable employees, with small amounts for 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 \$3,777,697 or 8.1% from \$46,367,778 in Q1 fiscal 2007 to \$50,145,475 in Q1 fiscal 2008, an amount commensurate with the increase in revenues. Cost of sales as a percentage of revenues increased from 84.7% in Q1 fiscal 2007 to 84.8% in Q1 fiscal 2008 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 \$48,756,630 or 97.2% of the total cost of sales in Q1 fiscal 2008 compared to \$45,383,064 or 97.9% of the total cost of sales in Q1 fiscal 2007, representing an increase of \$3,373,566 or 7.4% increase over the prior year. The gross margin related to the Staffing Division is \$8,049,214 or 14.2% of related revenues in Q1 fiscal 2008 compared to \$7,455,032 or 14.1% of related revenue in Q1 fiscal 2007. The increase 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 \$1,388,844 or 2.8% of the total cost of sales in Q1 fiscal 2008 compared to \$984,714 or 2.1% of the total cost of sales in Q1 of the prior year, representing an increase of \$404,130 or 41.0% increase over the prior year. The gross margin related to the Solutions Division is \$935,435 or 40.2% of related revenues in Q1 fiscal 2008 compared to \$907,587 or 48.0% of related revenue from Q1 fiscal 2007. The \$27,848 or 3.1% 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 \$8,984,649 or 15.2% of revenues in the three months ending December 31, 2007, compared to \$8,362,620 or 15.3% of revenues in the three months ending December 31, 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”)

Other staffing costs have increased \$812,248 or 17.9% to \$5,342,981 in Q1 fiscal 2008, up from \$4,530,733 in the same period in the prior year. The major components of this increase are:

- Sales commissions increased by \$103,315 compared to the same period last year due to increased business.
- Sales staff salaries increased by \$353,347. This was deemed necessary by management to properly service the new tier one relationships which the company has obtained. It is expected that additional revenues and margins will flow from the addition of these costs.
- Brainhunter systems development costs were capitalized until the end of Q1 in the prior fiscal year. This year those costs are being expensed, resulting in an increase of \$199,445 in this quarter versus the same quarter last year.

Selling, general and administrative expenses have increased \$515,739 or 28.3% in Q1 fiscal 2008 from \$1,824,701 to \$2,340,440. As a percentage of revenue the selling, general and administrative costs have increased from 3.3% in Q1 fiscal 2007 to 4.0% in fiscal 2008. The largest components of the increase are non-recurring costs:

- costs of \$88,000 spent on the Company’s review of internal controls under NI-52109, which project will be concluded this fiscal year
- an increase in legal fees of \$76,000.
- costs of \$86,000 incurred for hosting the Brainhunter Careersite and other technology at the Toronto IBM server hosting facility. This hosting was launched in Q2 of the prior year so the cost is an increase versus the first quarter last year. Following the announcement on January 22, 2008, of the sale of the Careersite business for North America, it is expected these costs will be reduced, as the major use of the hosting facility was for the Careersite technology.

Earnings before interest, taxes and amortization (EBITDA)

As a result of the above, EBITDA is reported as \$1,301,228 for Q1 fiscal 2008 versus \$2,007,186 for Q1 fiscal 2007. EBITDA decreased as a percentage of Revenue, from 3.7% in Q1 fiscal 2007 to 2.2% for Q1 fiscal 2008. As noted previously, the decrease is largely due the change in mix in the business from the traditional full service contracting sales to a lower margin vendor payrolling sales, the increase in staff hired to expand the business, and certain non-recurring overhead costs.

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.

| | 2008 | 2007 |
|---------------------------|-----------|-----------|
| Interest Expense | \$876,212 | \$753,425 |
| Interest Expense Accreted | \$335,704 | \$312,529 |

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 Q1 fiscal 2008 is \$481,503 and \$817,164 respectively, an increase of \$210,297 for capital assets mainly due to the amortization of Brainhunter's developed software (\$339,992), which the company began to amortize in Q2 of Fiscal 2007, and a decrease of \$158,165 for amortization of intangible assets, from the same period of the prior year.

Loss before Income Tax

Based on all of the above, the Company is reporting a loss before income taxes of \$1,209,355 for Q1 fiscal 2008 compared to a loss of \$619,022 for Q1 fiscal 2007. As noted previously, the loss is largely the result of amortization expenses of intangible assets from acquisition activities of \$817,164, accreted interest of \$335,704, amortization of capital assets of \$481,503 and interest of \$876,212.

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 \$216,175 in Q1 fiscal 2008 compared to a recovery of \$357,704 for Q1 fiscal 2007.

Net Loss

The Company is reporting a net loss of \$993,180 or \$0.02 per share basic and diluted for Q1 fiscal 2008, compared to a net loss of \$261,318 or \$0.01 per share basic and diluted for the Q1 fiscal 2007.

SELECTED QUARTERLY INFORMATION

For the Three Months ended December 31st (\$,000 except earning per share)

| | 2007 | 2006 | 2005 |
|--|----------------|---------------|---------------|
| Revenue | 59,130 | 54,730 | 33,862 |
| Cost of Sales | 50,145 | 46,368 | 28,097 |
| Gross Margin | 8,985 | 8,362 | 5,765 |
| Other operating costs | 7,683 | 6,355 | 5,050 |
| EBITDA | 1,302 | 2,007 | 715 |
| Interest - cash | 876 | 753 | 396 |
| Interest -non cash | 336 | 313 | 201 |
| Amortization of capital assets | 482 | 271 | 256 |
| Amortization of intangibles | 817 | 975 | 778 |
| Amortization of deferred financing | - | 314 | - |
| Earnings (loss) before tax | (1,209) | (619) | (916) |
| Income Tax | (216) | (358) | 21 |
| Net earnings (loss) | (993) | (261) | (937) |
| Earnings per share basic | \$ (0.02) | \$ (0.01) | \$ (0.02) |
| Earnings per share fully diluted | \$ (0.02) | \$ (0.01) | \$ (0.02) |
| Total assets | 84,611 | 85,229 | 80,397 |
| Total long-term financial liabilities | 34,983 | 42,792 | 21,553 |

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.

On December 14, 2007, the demand credit facility was increased until January 14, 2008 by \$4,000,000 from \$26,000,000 to \$30,000,000. On January 14, 2008, the demand credit facility was increased until January 31, 2008, by \$2,000,000 from \$26,000,000 to \$28,000,000. On January 31, 2008, the \$2,000,000 increase from \$26,000,000 to \$28,000,000 was extended to February 29, 2008.

On December 31, 2007, the Company was in breach of bank covenants relating to specific financial ratios. Subsequent to December 31, 2007, the Bank waived the covenant requirement as at December 31, 2007.

The terms of the demand credit facility will be reviewed in the second quarter of Fiscal 2008 as part of the Bank's annual review of the demand credit facility.

Cash from Operations

Cash generated by operations for the three months ending December 31, 2007 is \$394,907 while for the three months ending December 31, 2006 the cash generated by operations was \$1,188,571. This significant change resulted mainly from the decline in Earnings before interest, amortization and taxes from \$2,007,186 in Q1 fiscal 2007 to \$1,301,228 in Q1 fiscal 2008, as discussed above.

Cash was used in operations to increase non-cash working capital decreased from \$4,735,858 in Q1 fiscal 2007 to \$3,016,041 in Q1 fiscal 2008 as a result of reducing the Company's accounts payable and accrued liabilities.

Obligations by year (\$,000)

| | | | Operating Leases | Long Term Debt | | Total |
|--------------|--------------|------|------------------|-----------------|---------------|-----------------|
| | | | | Pay in Cash | Pay in Shares | |
| Year ending: | Sept | 2008 | \$1,397 | \$1,829 | \$200 | \$3,426 |
| | Sept | 2009 | \$1,659 | \$14,771 | - | \$16,429 |
| | Sept | 2010 | \$1,467 | \$109 | - | \$1,576 |
| | 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 | | \$11,066 | \$16,709 | \$200 | \$27,975 |

Issue of Common Shares

As a result of the exercise of options during Q1 fiscal 2008, the Company raised \$35,500. No options were exercised in Q1 fiscal 2007.

Advances to Related Parties and Share Purchase Loans

In Q1 fiscal 2008 the Company did not record any advances to a senior executive while in Q1 fiscal 2007, the Company recorded net advances of \$250,000. In the first quarter of 2008 and 2007, the Company did not advance any money to individuals to acquire shares in the Company.

Repayment of Long-term Obligations

The Company repaid \$1,415,756 of long-term debt during Q1 fiscal 2008, compared to a repayment of \$476,684 in Q1 fiscal 2007. All of the repayments are scheduled payments of long-term debt.

Capital Expenditures

The Company recorded \$376,801 on Capital Expenditures during Q1 fiscal 2008, compared to the \$604,898 spent in Q1 fiscal 2007. The current expenditures for 2007 were made primarily in computer hardware and software (\$168,825), and leasehold improvements of (\$181,045) for the Company's new premises in Calgary and Toronto.

EBITDA

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

OTHER

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

Other than as described above, no transactions were executed or contemplated between the Company and Related Parties during the period ended December 31, 2007.

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 December 31, 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.

Subsequent Event

On January 22, 2008, Brainhunter announced that it had entered into an agreement with Workopolis to sell its Canadian and U.S. job board (“Careersite”) business. Under the terms of the agreement, Brainhunter will receive approximately \$10 million over a 12 month period as transition milestones are reached.

Additional Information

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