



**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE SECOND QUARTER ENDED JUNE 30, 2007**

Introduction

The following Management's Discussion and Analysis ("MD&A"), provides readers with an overview of the operations of Synergex Corporation ("Synergex" or the "Company") and a more detailed explanation of its financial statements. This MD&A provides information that management of Synergex ("Management") believes is important in assessing and understanding the results of operations and the financial condition of Synergex. Our objective is to present readers with a view of Synergex through the eyes of Management by interpreting the material trends and uncertainties that affect the operating results, liquidity and financial position of Synergex. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. This MD&A is current as of August 13, 2007.

About Synergex Corporation

Synergex is a leading provider of business solutions. Synergex' main objective is to deepen our involvement in markets we service in profitable and sustainable ways. We provide a variety of services and technology solutions from a deep base of management experience and success that allows our customers to optimize their business processes, improve customer satisfaction, achieve quality assurance goals, and reduce costs. Our strategy has enabled us to deliver continuing growth and solid financial performance since the roots of our organization were established 20 years ago. We will continue to build our business to ensure future profitability.

We are continually generating more business while also investing for long-term growth. It is expected that the balance of the decade will be an exciting time of growth for Synergex. We will pursue a unified vision in all of our businesses: to be a premier, multi-industry company emphasizing the use of our expertise coupled with emerging technologies to provide an expanding breadth of solutions to achieve our customers' business objectives.

Synergex consists of three workgroups: Synergex Commercial Gateway, Synergex Technology and Synergex Business Information, which provide valued-added depth in the areas of video game logistics, product assembly and distribution, digital signage, point of sale solutions, Radio Frequency Identification ("RFID"), translation services, digital media, graphic design, credit reporting and collection services. These workgroups provide a wide range of diversified value-added complimentary services which generate multiple revenue streams for the Company and enhance our customers' operations.

The following is a brief snapshot of Synergex' operations as at June 30, 2007:

(1) Synergex Commercial Gateway is the core of the Company's businesses and delivers a value-added suite of supply chain management solutions for manufacturers and retailers, primarily in the computer entertainment sector. The Commercial Gateway workgroup provides a turn-key solution for accessing the Canadian and Latin American retail markets and is one of Canada's leading providers of video game products from manufacturers such as Sony Computer Entertainment America, Midway Games Inc., Namco Bandai Games America Inc., Atari, Inc., and LucasArts, a division of Lucasfilm Entertainment Company Ltd.

In 2007 Synergex also expanded its operations into Mexico, Brazil, Colombia, and Chile with a strategic objective to capitalize on the weak retail exposure within the video game industry and to replicate Synergex' proven Canadian business model in the Latin American region.

(2) Synergex Technology designs, implements and supports customer Information Technology infrastructures, including Systems Integration, Digital Signage, and Radio Frequency Identification (RFID) technology, and provides turn-key development, installation, service, and support.

We have capitalized on the expertise and integration of our industrial control automation business through the implementation of various work force solutions using RFID and through numerous control automation installations within the automotive industry and other industrial sectors.

We have taken the initiative to work with some of the larger advertising companies in Canada to deploy a host of digital signage solutions to enhance the retail environments of our customers and to drive revenue growth.

(3) Synergex Business Information provides commercial credit risk evaluation and reporting, accounts receivable management, human resource background checking, and paralegal services facilitated by the operating businesses of Lumbermen's Credit Bureau Limited and Canada Bonded Attorney and Legal Directory, Limited. Lumbermen's Credit Bureau is a leading credit reporting service in the construction industry in Ontario and is continuing to strengthen its presence in Alberta. Canada Bonded Attorney runs Synergex' accounts receivable management and debt collection business.

Synergex' three workgroups collectively serve a broad base of over 3,500 customers which include many multinational enterprises. Headquartered in Mississauga, Ontario, Synergex maintains offices across Canada and Latin America. Synergex is listed on the Toronto Stock Exchange and trades under the symbol SYX. For further information, please visit www.syx.ca.

Overview

Synergex continues to expand on the diverse suite of services provided through its workgroups. The Company continues to build on its existing framework and continually develops strategic improvements to our supply chain technology and the depth of our information systems. This allows us to maintain our relationships with our customers and gain a better understanding of their needs, allowing us to augment the services we provide to them.

We continue to build and strengthen our management system through staff training and quality enhancement programs, and we have increasingly encouraged our business managers to develop novel, broad, high-impact solutions. All Synergex businesses are shaped by our core management team and are built on our knowledge base, allowing our suite of services to broaden beyond their historical origins and to evolve to suit customer requirements.

Financial Overview

Highlights of the Company's consolidated financial results for the three months ended June 30, 2007, compared to the three months ended June 30, 2006, were as follows:

- Sales increased in the second quarter of 2007, to approximately \$27.8 million, or 5.7% above the \$26.3 million in sales recorded in the same quarter in the prior year;
- Gross profit in the second quarter of 2007 of approximately \$4.1 million was a decrease of approximately \$0.3 million, or 7.2% below the same quarter in the prior year;
- Income before income taxes in the second quarter of 2007 was approximately \$150,000 compared to an income before income taxes of approximately \$1.2 million in the same quarter in the prior year;
- The net income in the second quarter of 2007 was approximately \$0.1 million, compared to a net income of approximately \$0.8 million in the same quarter in the prior year; and
- EBITDA in the second quarter of 2007 was \$0.5 million, a decrease of approximately \$0.8 million compared to EBITDA of approximately \$1.3 million in the same quarter in the prior year.

Highlights of the Company's consolidated financial results for the six months ended June 30, 2007, compared to the six months ended June 30, 2006, were as follows:

- Sales decreased for the six month period, to approximately \$54.0 million, or 2.3% below the \$55.2 million in sales recorded in the same period in the prior year;

- Gross profit for the six month period was approximately \$7.5 million, a decrease of approximately \$1.1 million, or 12.9% below the same period in the prior year;
- Income before income taxes for the six month period was approximately \$0.1 million compared to an income before income taxes of approximately \$2.4 million in the same period in the prior year;
- The net income for the six month period was approximately \$50,000, compared to a net income of approximately \$1.5 million in the same period in the prior year; and
- EBITDA in the six month period was \$0.6 million, a decrease of approximately \$2.0 million compared to EBITDA of approximately \$2.6 million in the same period in the prior year.

The economic and industry factors of the Company have remained substantially unchanged since the Company's year ended December 31, 2006 and such financial results have been set out for comparative purposes in the charts below.

Selected Financial Information

Results of Operations

Summary of Operations (in thousands of dollars, except earnings per share)	Three months ended June 30		Six months ended June 30		Twelve Months ended December 31
	2007	2006	2007	2006	2006
Sales	\$27,843	\$26,335	\$53,957	\$55,205	\$175,942
Gross Profit	4,066	4,384	7,523	8,636	23,916
Expenses					
General and administration	3,071	2,693	6,144	5,160	12,848
Sales costs	536	366	802	839	5,445
Interest and bank charges	56	48	102	84	108
Interest income	(49)	(121)	(154)	(203)	(379)
Amortization of equipment	291	187	515	358	931
Amortization of customer list	16	24	40	48	96
Income before income taxes	145	1,187	74	2,350	134
Provision for income taxes	49	369	20	816	4,773
Net income for the period	\$96	\$818	\$54	\$1,534	1,297
Earnings Per Share:					\$3,436
Basic and fully diluted	\$0.00	\$0.01	\$0.00	\$0.01	\$0.03
Total Assets	\$35,930	\$31,503	\$35,930	\$31,503	\$74,807
Total long-term financial liabilities	\$278	\$406	\$278	\$406	\$333

Seasonality

The Commercial Gateway business is a diversified suite of disciplines, being complementary business processes that we manage for customers. At the present time this primarily involves comprehensive supply chain management and sale of video game products to retailers and sub-distributors in Canada,

and includes freight forwarding, pick-and-pack services, printing, and translation services. Retail activity is traditionally at its highest from September through January. Accordingly, the first and second quarter results reflect the relatively low volume period for our computer entertainment supply chain businesses.

Consolidated Sales

Consolidated sales for the three-month period ended June 30, 2007, totaled \$27,843,170, an increase of \$1,507,363 or 5.7% from \$26,335,807 for the same quarter last year. Consolidated sales for the six month period ended June 30, 2007, totaled \$53,957,487, a decrease of \$1,247,235 or 2.3% from \$55,204,722 for the same period.

The breakdown of sales by workgroup:

Sales (in thousands of dollars)	Three months ended June 30		Six months ended June 30		Twelve Months ended December 31
	2007	2006	2007	2006	2006
Synergex Commercial Gateway	\$25,922	\$24,068	\$50,147	\$51,064	\$166,655
Synergex Technology	975	1,134	1,884	1,996	4,938
Synergex Business Information	<u>945</u>	<u>1,134</u>	<u>1,926</u>	<u>2,145</u>	<u>4,349</u>
Total	<u>\$27,843</u>	<u>\$26,336</u>	<u>\$53,957</u>	<u>\$55,205</u>	<u>\$175,942</u>

Sales from Commercial Gateway remained relatively flat for the periods ended June 30, 2007, as compared to the same periods in 2006, which is primarily attributed to videogame publishers' gradual rate of release of new software games for the new hardware consoles (Sony Playstation 3 and Nintendo Wii). The Nintendo Wii and Sony Playstation 3 launched in the later part of Q4 2006 and hardware units are making their way to consumers. In July and August both Sony and Microsoft announced a price reduction for their hardware consoles, making the platforms more affordable to consumers, and driving up demand.

The volume of new releases of software to date is down relative to last year, however we anticipate this will improve in the upcoming quarters. Based on the recent price reductions on the hardware consoles noted above, we anticipate more hardware will be made available. Accordingly, we further anticipate this will result in an increase in software sales. Furthermore, due to the release of the new hardware consoles in late 2006, and the limited availability of hardware in the first part of 2007, significant new video game releases were deferred until the latter part of 2007.

Consumers are still actively purchasing software and peripherals for the previous generation console hardware. As the new generation hardware becomes more readily available, this should also increase sales, in particular for software and peripherals.

As we continue to develop the videogame industry in Mexico and Latin America and further diversify our product offerings between our workgroups, we expect our sales to improve significantly.

Sales for the periods ended June 30, 2007, as compared to the same periods in 2006 in the Synergex Technology workgroup were relatively flat. The integration of the industrial control automation operating segment resulted in increased sales, however this was offset by the decrease in revenue generated by the VAR business due to focusing on higher margin emerging product lines such as digital signage and digital media, which we anticipate will generate higher revenues in upcoming quarters.

Sales in the Business Information workgroup remained relatively flat between the comparative periods. This was due to the general state of the Canadian economy. The stable, relatively flat condition of the Canadian economy continues to affect the collection business, in that the number of quality claims placed for collection remains low. Traditionally, more claims are placed during periods of economic growth or

decline when growing receivable portfolios and defaults expand beyond the ability of clients to manage, which also affects the sale of credit reporting products. Some clients purchased smaller contracts, while others decided not to renew their contracts.

Consolidated sales for the last ten quarters are summarized in the table below:

	2007	2006	2005
First Quarter	\$26,114	\$28,869	\$43,836
Second Quarter	27,843	26,335	20,550
Third Quarter		37,041	29,801
Fourth Quarter		83,697	57,080
Total Sales	\$53,957*	\$175,942	\$151,267

* Year to date sales

Consolidated Gross Profit

Consolidated gross profit for the second quarter ended June 30, 2007 was \$4,066,303, a decrease of \$317,342, compared to a gross profit of \$4,383,645 for the same period in the previous year.

Consolidated gross profit for the six months ended June 30, 2007 was \$7,522,574, a decrease of \$1,113,434, compared to a gross profit of \$8,636,008 for the same period in the previous year.

The breakdown of gross profit by workgroup:

Consolidated Gross Profit (as a percentage of sales)	Three months ended June 30		Six months ended June 30		Twelve Months ended December 31
	2007	2006	2007	2006	2006
Synergex Commercial Gateway	14.1%	15.4%	13.2%	14.5%	12.9%
Synergex Technology	12.8%	26.5%	15.6%	21.9%	16.2%
Synergex Business Information	28.0%	33.1%	31.2%	35.9%	37.6%
Total	14.6%	16.6%	13.9%	15.6%	13.6%

The decreased gross profit for the second quarter ended June 30, from 2006 to 2007 in the Commercial Gateway workgroup was primarily due to the product mix sold and the decrease of new release software sold in the quarter. The decrease in new release software was primarily due to the limited availability of the new generation hardware being made accessible to end consumers and the decision of a majority of publishers to defer new releases on these platforms to future periods when the hardware would be more readily available. Hardware sales accounted for approximately 19% of sales in the six months ended June 30, 2007 compared to 15% of sales in the same period of 2006. Although gross margin dollars earned on hardware are more per unit than software and peripherals, they represent a lower percentage of sales than software and peripherals.

The decreased gross profit in Synergex Technology is mainly attributed to solidifying new and prospective customers in our industrial control automation business segment whereby initial projects were quoted at lower margins in an effort to solidify long-term customer relationships and future sales orders. As we continue to focus our attention on building the infrastructure for our digital media and digital signage lines, we continued to sell the lower margin VAR product, however at a lesser volume.

The decreased gross profit from 2006 to 2007 for the Business Information workgroup was primarily due to lower margins generated from consumer collections combined with the relatively fixed nature of the direct costs.

Sales, General and Administrative Expenses

Sales, general and administrative expenses for the three months ending June 30, 2007, totaled approximately \$3.6 million, an increase of \$0.6 million, or 17.9%, from \$3.1 million in the second quarter of last year. This increase was primarily due to costs incurred to support increased sales and product development costs.

Sales, general and administrative expenses increased from approximately 11.6% of sales to 13.0% of sales due to the following:

1. approximately \$300,000 of expenses incurred relating to the hiring of additional employees and support staff in the fourth quarter of 2006 to support the increased sales and operations during the peak season and the expansion into the Latin American markets;
2. approximately \$200,000 of increased expenses incurred for ancillary costs to support increased sales and product development costs in the Synergex Technology workgroup; and
3. approximately \$100,000 of increased expenses incurred due to the consolidation of our three Mississauga facilities into one in 2006.

Sales, general and administrative expenses for the six months ending June 30, 2007, totaled approximately \$6.9 million, an increase of \$0.9 million, or 15.9%, from \$6.0 million in the in the same period in the prior year.

Sales, general and administrative expenses increased from approximately 10.9% of sales to 12.9% of sales due to the following:

1. approximately \$600,000 of expenses incurred relating to the hiring of additional employees and support staff in the fourth quarter of 2006 to support the increased sales and operations during the peak season and the expansion into the Latin American markets;
2. approximately \$200,000 of increased expenses incurred for ancillary costs to support increased sales and product development costs in the Synergex Technology workgroup; and
3. approximately \$100,000 of increased expenses incurred due to the consolidation of our three Mississauga facilities into one in 2006.

Interest Income, Interest and Bank Charges and Amortization

As the Company tends to have cash balances that float throughout the year, so does the interest income earned by the Company. Interest income was approximately \$50,000 for the three months ended June 30, 2007, compared to \$120,000 for the same quarter last year.

For the six months ended June 30, 2007, interest income was approximately \$150,000, compared to \$200,000 for the same period last year.

Interest and bank charges approximate \$50,000 for each quarter in 2006 and 2007.

Amortization of equipment and customer list was \$310,000 for the three months ended June 30, 2007 compared to \$210,000 for the same quarter last year. Amortization of equipment and customer list was \$560,000 for the six months ended June 30, 2007 compared to \$400,000 for the same period last year. This increase is primarily due to the purchase of capital assets in 2006, the bulk of which were computer

hardware and software and leasehold improvements, which tend to be depreciated at higher rates than other equipment.

Income Before Income Taxes

The income before income taxes for the second quarter was \$145,073, a decrease of \$1,041,837 compared to income of \$1,186,910 in the second quarter of last year. The income before income taxes for the six months ended June 30, 2007 was \$73,495, a decrease of \$2,276,750 compared to income of \$2,350,245 in the same period in the prior year.

As noted above, the decrease in income before income taxes is attributable to a conflation of several factors including:

1. the reduction in sales in the Commercial Gateway workgroup as a result of new hardware launches and the subsequent delay, by publishers of the launching of new software titles;
2. the reduction in gross profit due to the product mix sold in the Commercial Gateway workgroup (more hardware was sold in 2007 compared to 2006 and fewer units of software were sold);and
3. the addition of further employees and ancillary costs to support the growth of the Canadian operations and expansion into Latin America in the fourth quarter of 2006.

Net Income

The net income for the second quarter of 2007 was \$95,695 or approximately \$0.00 per share (basic and fully diluted) compared to a net income of \$817,910 or approximately \$0.01 per share (basic and fully diluted) in the same quarter last year.

The net income for the six months ended June 30, 2007 was \$53,667 or approximately \$0.00 per share (basic and fully diluted) compared to a net income of \$1,534,245 or approximately \$0.01 per share (basic and fully diluted) in the same period in the prior year.

The reduction of the net income is due to the factors noted above.

EBITDA

References in these materials to "EBITDA" are to net income before interest expense, interest income, income taxes, loss (gain) on sale of equipment, and depreciation and amortization. EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings or cash flows from operating activities (determined in accordance with Canadian GAAP) as a performance indicator, or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Synergex' method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to similar measures presented by other issuers. EBITDA performance is presented herein because Management believes that, in addition to net income, EBITDA is a useful supplemental measure of Synergex' financial performance. EBITDA for the second quarter of 2007 decreased to \$459,359 compared to EBITDA of \$1,324,218 in the same period last year. EBITDA for the six months ended June 30, 2007 decreased to \$576,176 compared to EBITDA of \$2,636,503 in the same period in the prior year.

Summary of 2007, 2006 and 2005 Quarterly Results

Fiscal 2007

(thousands of dollars except for earnings per share)

	Q1	Q2	Q3	Q4
Sales per quarter	\$26,114	\$27,843		
Gross Profit	3,456	4,066		
General and administration	3,073	3,071		
Selling costs	266	536		
Interest income	(105)	(49)		
Interest expense	46	56		
Amortization of equipment	224	291		
Amortization of customer list	24	16		
Employee termination costs	0	0		
Loss on disposal of equipment	0	0		
Business combination costs	0	0		
Provision for income taxes	(30)	49		
Net income in the Quarter	(\$42)	96		
Earnings per share basic and fully diluted	\$0.00	\$0.00		
EBITDA, 2007, per quarter	\$ 117	\$459		

Fiscal 2006

(thousands of dollars except for earnings per share)

	Q1	Q2	Q3	Q4
Sales per quarter	\$28,868	\$26,335	\$37,041	\$83,697
Gross Profit	4,252	4,384	4,194	11,086
General and administration	2,367	2,792	2,930	4,757
Selling costs	574	266	465	4,141
Interest income	(83)	(120)	(96)	(77)
Interest expense	37	48	31	(8)
Amortization of equipment	171	187	188	384
Amortization of customer list	24	24	24	24
Employee termination costs	0	0	0	0
Loss on disposal of equipment	0	0	0	134
Business combination costs	0	0	0	0
Provision for income taxes	447	369	279	202
Net income in the Quarter	\$716	\$818	\$373	\$1,529
Earnings per share basic and fully diluted	\$0.01	\$0.01	\$0.00	\$0.01
EBITDA, 2006, per quarter	\$ 1,312	\$ 1,324	\$780	\$2,054

Fiscal 2005**(thousands of dollars except for earnings per share)**

	Q1	Q2	Q3	Q4
Sales per quarter	\$43,836	\$20,550	\$29,801	\$57,080
Gross Profit	4,703	3,071	4,442	9,370
General and administration	2,224	2,036	2,750	2,860
Selling costs	353	176	331	2,932
Interest income	(43)	(42)	(42)	(70)
Interest expense	57	57	33	64
Amortization of equipment	159	167	171	215
Amortization of customer list	24	24	24	24
Employee termination costs	12	9	2	19
Gain on disposal of equipment	0	0	0	(16)
Business combination costs	177	32	4	(125)
Provision for income taxes	711	213	461	1,219
Net income in the Quarter	\$ 1,029	\$ 399	\$ 708	\$2,248
Earnings per share basic and fully diluted	\$0.01	\$0.00	\$0.01	\$0.02
EBITDA, 2005, per quarter	\$ 1,936	\$ 818	\$1,355	\$3,701

Liquidity and Cash Resources

Synergex' primary sources of cash have historically been cash flow from operations. Cash has been used for the purchase of equipment, investment in technology, and general working capital uses, specifically managing levels of accounts payable, accounts receivable, and inventory. As at June 30, 2007, the Company had a net cash position of \$106,720 compared to \$7,876,822 as at June 30, 2006. As at December 31, 2006, the Company had a net cash position of \$7,114,948. Synergex' net cash position varies with income earned, the timing of cash receipts from customers, and the timing of payments to suppliers. Working capital as at June 30, 2007 totaled \$10,640,408 compared to \$12,340,792 as at June 30, 2006. Working capital as at December 31, 2006 was \$11,455,207.

The cash position of the Company has decreased primarily due to the following reasons:

1. Purchase of capital assets to maintain and service growth;
2. The use of cash to purchase inventory; and
3. The timing of cash receipts from customers and the timing of payments to suppliers

Synergex maintains credit facilities with a Canadian chartered bank in the event that short-term financing is required. Other than capital leases, Synergex has no short-term or long-term financial debt. Maintaining liquidity is a key factor in management's funding strategy, and ensures our ability to satisfy the needs of customers and suppliers. Our policy is to have sufficient cash and cash equivalents and to have access to credit facilities in order to provide liquidity for all of our foreseeable funding requirements. Management expects that Synergex' positive working capital position will be maintained and believes that its working capital is sufficient to support its current operations and foreseeable obligations. As the business expands some external financing may be required.

Capital Resources

Capital expenditures are generally funded by working capital. The Company has no current plans to make capital expenditures except in normal course of operations. The Company will be making an investment of approximately \$1.0 million in equipment for the Company's assembly business in Q3 which will be financed by way of capital lease and working capital.

Contractual Obligations

The Company has entered into lease agreements to acquire equipment which has been financed by means of capital leases. The operating leases relate primarily to the lease of the Company's facilities. The future minimum annual lease payments under the operating and capital leases are as follows:

Year ending	Total	2007	2008	2009	2010	2011	Thereafter
Operating Lease Obligations	\$18,110,264	\$1,179,932	\$2,351,504	\$2,350,744	\$2,350,744	\$2,334,019	\$7,543,321
Capital Lease Obligations	<u>278,430</u>	<u>52,083</u>	<u>99,165</u>	<u>127,182</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$18,388,694</u>	<u>\$1,232,015</u>	<u>\$2,450,669</u>	<u>\$2,477,926</u>	<u>\$2,350,744</u>	<u>\$2,334,019</u>	<u>\$7,543,321</u>

Off-Balance Sheet Arrangements

The company has not entered into any off-balance sheet arrangements.

Related Party Transactions

In the normal course of operations, Synergex renders logistic services and recovers general administrative costs from two companies owned by a director. David Aiello, the President, CEO and Director of the Company, owns 100% of BioAdvantex Pharma Inc. All related party transactions are measured and reported at fair market value and all transactions are carried on an arm's length basis. For additional information, refer to Note 12 to the 2006 Audited Annual Financial Statements and to Note 4 of the Unaudited Interim Consolidated Financial Statements for the six months ended June 30, 2007.

Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company.

Changes in Accounting Policies Including Initial Adoption

The Company has not made any changes to its accounting policies subsequent to its most recent completed fiscal year as at December 31, 2006.

Critical Accounting Policies and Estimates

The Company's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2006. The preparation of the Company's financial statements, in conformity with Canadian GAAP, requires Management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The significant area requiring the use of Management's judgment relates to the estimation of the valuation adjustment on future income tax assets. Actual results could differ from those estimates and the differences could be material to the consolidated financial statements.

Consolidated Financial Position

Total consolidated assets increased to \$35,929,711 as at June 30, 2007 from \$31,502,781 as at June 30, 2006. The consolidated assets as at December 31, 2006 were \$74,807,263. Total Shareholders' Equity increased to \$15,832,945 as at June 30, 2007 from \$14,671,960 as at June 30, 2006. Total Shareholders' Equity as at December 31, 2006 was \$16,019,836.

Outstanding Share Data

For information on outstanding share data, please refer to Note 9 to the 2006 Audited Annual Financial Statements.

Nature of Operations

The natural result of Synergex' business relationships and market share in the computer entertainment sector in Canada is that a significant percentage of its sales and purchases are concentrated among a limited number of customers and suppliers. For the second quarter of 2007, two customers each accounted for more than 10% of sales and two suppliers each accounted for more than 10% of purchases. In the six month period of 2007, three customers each accounted for more than 10% of sales and three suppliers each accounted for more than 10% of purchases.

Forward Looking Statements

Some statements contained in this Management's Discussion and Analysis are forward-looking statements relating to Synergex' current expectations regarding future events. These forward-looking statements are based on our current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including economic conditions, technological change, regulatory change, and competitive factors, many of which are beyond our control. Therefore, future events and results may vary significantly from what we currently foresee. For more information on the Company's risks and uncertainties relating to these forward looking statements, please refer to the risk factors section below.

Risk Factors

Any investment in the securities of the Company are speculative due to the nature of its business and the general stage of its development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Economic and industry factors related to the Company and its operations remain substantially unchanged as compared to those reported in the Company's annual financial statements and MD&A as at December 31, 2006. In addition to the usual risks associated with investment in a business, investors should carefully consider the following risk factors:

Competition

Synergex' competition is comprised of comprehensive logistics, supply chain management, distribution, international freight forwarding, digital media design and printing, information technology procurement, development and implementation, credit reporting, and third-party debt recovery businesses. These are highly competitive industries with many competitors, the size of which vary significantly from small, ownership-managed businesses to large companies.

Risks Associated with Expansion Activities and Acquisition Strategy

To successfully implement its corporate strategy, Synergex must be able to successfully integrate new assets and skills into an expanded suite of business disciplines. The consolidation and integration of functions and procedures presents an ongoing management challenge. The failure to achieve such

integration would have a material adverse effect on the results of operations of Synergex. As a result, although Synergex believes it can successfully integrate its acquisition activities into its operations, there can be no assurance that Synergex will achieve improved operating results in each successive period. Ongoing product development activities and investment in our staff and technology base are essential to (a) ensure our leadership, (b) strengthen our competitiveness, (c) deepen our service capabilities, and (d) continue to implement our corporate concept in the future.

As part of Synergex' business strategy, it has sought and will continue to seek new development opportunities. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. Synergex cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Integration of Acquired Businesses and Growth

As part of its long-term strategy, Synergex intends to acquire complementary businesses that are economically and strategically justified. However, there can be no assurance that Synergex will be able to identify attractive acquisition candidates in the future or that it will necessarily succeed in effectively managing the integration of acquired businesses. If the expected synergies from those transactions do not materialize, or if it fails to successfully integrate acquired businesses there may be an adverse effect on the business.

Dependence on International Trade and Continuing Trend to Outsource Logistics Services

Synergex' principal businesses are directly related to the volume of international and domestic trade, in particular, cross-border trade between Canada and other countries. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations currency fluctuations and Canadian and foreign laws relating to duties trade restrictions, foreign investment and taxation. There can be no assurance that trade-related events beyond the control of Synergex, such as an increase in trade restrictions, will not have an adverse effect on Synergex' business.

Dependence on Key Personnel

The success of Synergex is dependent on the abilities, experience and efforts of a number of members of senior management. The experience of these individuals, as well as new talent that we attract to our organization, will be an important factor contributing to Synergex' continued success and growth. While Synergex has entered into employment agreements with its senior management and with substantially all full-time employees, should these persons be unable or unwilling to continue their employment with Synergex, the loss of one or more of these individuals could have an adverse effect on Synergex' operations and business prospects. Synergex does not carry "key man" insurance policies on any of its officers, directors or employees.

Dependence on Equipment and Qualified Personnel

To maintain a competitive position in the industry, Synergex will continue to place an emphasis on providing high quality of service for its customers. Synergex continues to provide its employees with on-going training and education, and utilizes reliable, up-to-date capital equipment, and computerized systems maintained through an in-house programming staff. There can be no assurance that Synergex will not experience employee turnover in the future or that Synergex' labour costs will not increase. There is no assurance that the Company will be able to continue to hire and retain a sufficient number of qualified personnel, though our track record in this regard is positive.

Creating New Revenue Sources

In addition to capturing a portion of the market by offering traditional services, Synergex' ability to grow revenue is based, in part, on its ability to sell additional value-added services to its existing and new clients, sometimes in nontraditional business models.

Vulnerability to Economic Conditions

Synergex is dependent on the economic environments in which it operates. Demand for Synergex' services could be adversely affected by economic conditions in the sectors in which Synergex' customers operates. Synergex' business has also experienced and is expected to experience fluctuations, and can be sensitive to external factors such as events which may adversely affect the economy and consumer spending. There can be no assurance that such factors may not have an adverse effect on Synergex' business.

Seasonality of Business

Although Synergex' businesses are increasingly diversified across various product lines and are carried on with a variety of customers, portions of its business and that of some of its customers (particularly those driven by consumer spending) are subject to seasonality. Synergex' results of operations generally vary between quarterly periods as a result of such seasonality.

Foreign Exchange

Synergex conducts its business primarily in Canada and purchases a large percentage of the goods it sells in U.S. funds. Exchange rate fluctuations in the spot market are beyond Synergex' control and there can be no assurance that unmitigated exchange rate fluctuations would not have a material adverse effect on Synergex' business. Synergex continually analyzes the currency-related risks that it faces and may engage in mitigating transactions, to limit its exposure to such risks, but there can be no assurance that any mitigating strategy will, if entered into, be successful. See also the International Expansion Risk Factor below.

Technology

Synergex has made significant investments in developing RFID and Digital Signage technologies which currently have no widespread industry standards. The introduction of products embodying new technologies and the emergence of new industry standards could render Synergex' existing products obsolete and unmarketable. There can be no assurance that Synergex will respond effectively to market or technological changes or compete successfully in the future. Synergex' future success will depend upon its ability to enhance its current offering of products to introduce new products that keep pace with technological developments, to respond to evolving end-users' requirements and to achieve market penetration.

Market Price of Common Shares

The market price of Synergex' common shares ("Common Shares") has been and may be subject to wide fluctuations in response to factors such as actual or anticipated variations in Synergex' consolidated results of operations, as reflected in its quarterly earnings reports, general market considerations, and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Common Shares.

Contingencies

In the normal course of operations, there are or may be claims or proceedings instituted against Synergex. Management does not expect that these claims or proceedings will have a material effect on the financial position of Synergex or its results of operations. Losses sustained, if any, will be recorded on the statement of operations at such time as the loss is determined.

Dividend Policy

No dividends on the Common Shares have been paid by Synergex to date. The Company anticipates that it will retain earnings and other cash resources for the foreseeable future for the operation and development of its business and does not intend to declare or pay any cash dividends in the foreseeable future. Synergex has paid dividends on its Series A Preference Shares. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including operating results, financial condition and current and anticipated cash needs. The annual dividend per Series A Preference Shares was \$0.065 per share in the second quarter of 2007, and \$0.0575 per share in the second quarter of 2006, for an aggregate amount of \$95,581 and \$106,538, respectively.

Concentration of Share Ownership

David Aiello, the President and CEO of the Company, owns approximately 74% of the outstanding Common Shares. As a result of his share ownership, David Aiello has the ability to elect all of the Company's directors and to determine the outcome of corporate actions requiring shareholder approval, including changes to share capital, irrespective of how other shareholders of the Company may vote. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company.

Dependence on Key Suppliers

Synergex relies on a limited number of suppliers for its video game and software products. There can be no assurance that these suppliers, many of which have significantly greater financial and marketing resources, will not discontinue their distribution arrangement and independently market their products directly to retailers. The failure of the Company to maintain its existing relationships, or to establish new relationships in the future, could have a material adverse effect on the Company's business, results of operations and financial condition.

International Expansion Risk Factor

Synergex, because it is expanding its business into other, less economically developed countries, will encounter numerous political and business risks in the effort, as well as additional foreign currency risk. In many foreign countries, such as Mexico and throughout South America, business transactions are generally not conducted on as expeditious a schedule as in Canada and the U.S. This slowness can lead to cost over-runs and negatively impact revenues and expenses. To the extent there might be a necessity for litigation on a commercial matter, the likelihood of success in the litigation may not be as easy to measure as would be the case with a Canadian court.

There are political risks associated with investments in a developing host country. The principal political risks are the degree of political stability, government attitudes about foreign investment, the extent of government involvement in the economy of the host country and the economic projections for the host country. Synergex could be negatively impacted, for example, by the implementation of new exchange controls, through the expropriation of its assets through governmental action, or by the implementation of tax policies that could be either burdensome or confiscatory. Further, no assurance can be given that an existing government or political party in power in a host country will continue to enjoy a level of political stability and governmental predictability. A governmental change could impact the certainty and stability of the laws and regulations applicable to Synergex' business.

Changes in Internal Control over Financial Reporting

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Synergex Board of Directors and Management

David A. Aello
Chairman of the Board

David O.A. Aiello, CA
President, CEO, and Director

John L. Smith
Senior Vice-President and Director

Thomas Davidson Jr.
Director

Neil Fleshner, MD
Director

Philip Walton
Director

Nick Blasutto, CA, CBV
Chief Financial Officer

Matthew Reiter
Senior Vice-President

Jean-Paul Rehr
Senior Vice-President

Eric So, LL.B.
Vice-President, Corporate Strategy and General Counsel

For more information on the Company and what Synergex can do for your business, please visit our website at: www.syx.ca. Additional information, including the Company's Annual Information Form, is available under its profile on SEDAR at www.sedar.com.

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