

MD&A for the First Quarter ended March 31, 2006

Introduction

This following Management's Discussion and Analysis ("MD&A") for the three month period ending March 31, 2006, compared with the three month period ending March 31, 2005, provides readers with an overview of the operations of Synergex Corporation ("Synergex") and a more detailed explanation of its financial statements. This MD&A provides information that management of Synergex believes is important to assess and understand the results of operations and 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. This discussion and analysis should be read in conjunction with Synergex' Consolidated Financial Statements and accompanying notes thereto for the twelve month period ended December 31, 2005. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

About Synergex Corporation

Synergex Corporation is a leading provider of business solutions. Our ambition in Synergex 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 allow our customers to optimize their business processes, improve customer satisfaction, and reduce costs. Our strategy has enabled us to deliver stable growth and good financial performance since the roots of our organization were established 19 years ago. We will continue to build an even stronger platform for future profitability.

Across all Synergex businesses, we are steadily generating more business while investing for long-term growth. The balance of the decade will be an exciting time of growth for Synergex. We will pursue a unified vision in all our businesses: to be a premier, multi-industry company emphasizing the use of emerging technologies to provide an expanding breadth of solutions to help achieve our customers' business objectives.

The following is a current snapshot of Synergex' businesses as at March 31, 2006:

- 1) Synergex Commercial Gateway is one of Canada's leading providers of video game products. Commercial Gateway delivers value-added supply chain management and distribution solutions to its customers, which include some of the world's leading computer entertainment publishers

and a variety of mid-sized manufacturers. Its wide range of complementary services generates multiple revenue streams for Synergex.

2) Synergex Technology designs, implements, and supports customer IT infrastructures, including Radio Frequency Identification ("RFID") technology. Management believes this workgroup will be an important growth platform in the future. We are confident that our Workforce Automation Solution using RFID will be a revolutionizing technology, allowing workers and organizations to partner together in satisfying their customers in ways not previously achievable. Synergex is also a leader in RFID implementation and systems integration in industrial control automation.

3) Synergex Digital Media is developing online marketing technologies, including its innovative SmartCatalogue technology, and performs commercial graphic and print layout design, web site development, language translation, digital signage solutions, and on-demand printing.

4) Synergex Business Information provides trade credit risk evaluation and reporting services, legal resource services, accounts receivable management, debt collection services, pre-employment background checking, and paralegal services. Lumbermen's Credit Services is a leading credit reporting service to the construction industry in Ontario, and is strengthening its presence in Alberta. Canada Bonded Attorney runs our accounts receivable management and debt collection business.

Overview

Considering the seasonal effects in the first quarter, we are pleased with our results.

Total sales decreased in the first quarter relative to the same period in the prior year primarily due to the timing of large launches of new products in the prior year. As is normal in the video game industry, some product releases from our customers originally anticipated for Q1 2006 have been deferred to subsequent months. Computer entertainment software sales traditionally provide higher margins than hardware and have continued to drive gross margin. New product launches and continuing sales of hardware and peripheral devices generate trailing software sales growth as consumers purchase software product. Hardware launches expected in subsequent quarters will benefit both sales and gross profit and further enhance software sales growth.

Computer entertainment software sales, one of our core revenue streams, continued to grow year over year, reaching quarterly sales of \$23.1 million in Q1 2006 and year over year growth of 16.8% compared to sales of \$19.8 million in Q1 2005, and has increased 234.3% from sales of \$6.9 million Q1 2004 compared to Q1 2006. This continued software sales growth has positively impacted gross margins, which increased to 14.7% of sales Q1 2006 from 10.7% of sales in Q1 2005.

New clients added in Q4 2005 and Q1 2006 should have a further positive impact on computer entertainment software sales and gross profit in subsequent quarters.

Our company continues to remain strong due to our continuous strategic improvements to our supply chain technology and the depth of our information systems. Through continual improvements to our systems and capacity, and staying close to the needs of our customers, we constantly are looking to enhance our service capabilities, increase operating effectiveness for current and future customer needs, and maintain a fast pace of innovation.

We continue to strengthen our management system through staff training and quality programs, and we have increasingly encouraged our business managers to develop novel, broad, high-impact solutions which we feel are at the forefront of our industry. All Synergex businesses are shaped by our core management team and built on our knowledge base, allowing our suite of services to broaden beyond their historical origins and evolve to suit customer requirements. Our goal is to be the leader and set trends, not follow them.

Results of Operations

The results of operations for the three months ended March 31, 2006 compared to March 31, 2005 are summarized as follows:

Summary of Operations (in thousands of dollars, except earnings per share)	Three months ended March 31, 2006	Three months ended March 31, 2005
Sales	\$28,869	\$43,836
Gross Profit	4,252	4,703
Expenses		
General and administration	2,368	2,225
Sales expense	573	353
Interest income	(84)	(43)
Interest and bank charges	37	57
Amortization of equipment	171	159
Amortization of customer list	24	24
Employee termination costs	-	11
Business combination costs	-	177
Net income before income taxes	1,163	1,740
Provision for income taxes	447	711
Net income for the period	\$716	\$1,029
Earnings Per Share:		
Basic and Fully diluted		

\$0.01

\$0.01

Seasonality

The Commercial Gateway business is a diversified suite of disciplines. We manage complementary business processes for our customers, which at the present time primarily involves comprehensive supply chain management and sale of video game products to retailers and sub-distributors in Canada. Other value-added services include freight forwarding, and pick-and-pack services, technology management, and digital media creation and printing services. Retail activity is traditionally at its highest from September through January.

Sales generated from credit reporting and evaluation services are predominantly generated from contracts, with the sales amortized over the life of the contract. The Business Information workgroup has a significant market share of construction industry related credit reporting, where new contracts are typically not purchased during the winter when construction activity is at a seasonal low.

Consolidated Sales

Consolidated sales for the three-month period ended March 31, 2006 totaled \$28,868,915, a decrease of \$14,967,106 or 34.1% from \$43,836,021 for the same period last year. As outlined above, sales vary from quarter to quarter due to the increasing number of customers we serve, seasonality, the timing of product introductions, and the pricing strategy of our suppliers and customers. Sales declined in the first quarter relative to the prior year primarily due to the timing of large launches of new products in the prior year, in addition to the fact that, as is typical in the industry, some product releases originally anticipated for Q1 2006 have been deferred to subsequent months.

Computer entertainment software sales, our core revenue stream, continued to grow year over year reaching quarterly sales of \$23.1 million in Q1 2006 and year over year growth of 16.8% compared to sales of \$19.8 million in Q1 2005, and has increased 234.3% from sales of \$6.9 million Q1 2004 compared to Q1 2006. This continued software sales growth has positively impacted gross margins, which increased to 14.7% of sales Q1 2006 from 10.7% of sales in Q1 2005.

New clients added in Q4 2005 and Q1 2006 should have a further positive impact on computer entertainment software sales and gross profit in subsequent quarters.

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

Sales (in thousands of dollars)

	2006	2005	2004
First Quarter	\$ 28,869	\$ 43,836	\$ 16,259
Second Quarter		20,550	20,912
Third Quarter		29,801	23,320
Fourth Quarter		57,080	53,232
<i>Total Sales</i>	<i>\$28,869*</i>	<i>\$151,267</i>	<i>\$113,723</i>

**year-to-date sales*

Gross Profit

Consolidated gross profit percentage for the first quarter ended March 31, 2006 was 14.7% of sales, an increase from 10.7% of sales for the same period last year.

Consolidated gross profit for the first quarter ended March 31, 2006 was \$4,252,363, a decrease of \$450,574, a 9.6% decrease compared to \$4,702,937 for the same period last year.

The decrease in quantum was due to the reduction in total sales, however the percentage increase in was due primarily to the product mix sold, economies of scale achieved in transportation and labour costs, and a favourable trend in international currency exchange rates.

Operating Expenses

Operating expenses for the three months ending March 31, 2006, including general and administrative expenses, sales expense, interest expense, amortization expenses, employee termination costs, and business combination costs totaled approximately \$3.1 million, an increase of approximately \$126,000, or 4.2%, from \$3.0 million in the first quarter of last year.

The increase in costs pertains primarily to the addition of programmers and sales staff in the first quarter of 2006 to assist with the setup and implementation of the new technology platforms.

Income before Income Taxes

Income before income taxes for the first quarter was \$1,163,336, a decrease of \$576,217 compared to \$1,739,553 in the first quarter of the prior year. The reasons for the difference between quarters include the following:

- Decreased sales from new product launches offset by growth of computer entertainment software sales, and accordingly, decreased gross profit dollars;

- Increased gross profit percentage due to product sales mix from increased computer entertainment software sales;
- Increased sales expense;
- Increased interest income, and decreased bank charges; and
- The elimination of employee termination costs and business combination costs.

Net income after taxes for the first quarter of 2006 was approximately \$716,000 or approximately \$0.01 per share (basic and fully diluted) compared to \$1.0 million or approximately \$0.01 per share (basic and fully diluted) in the same quarter a year ago.

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 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 first quarter of 2006 was \$1,312,285 compared to EBITDA of \$1,936,497 in the same period a year ago.

Liquidity and Cash Resources

Synergex' primary sources of cash are 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 of March 31, 2006, Synergex had a net cash position of \$12,259,173 compared to \$5,653,444 as at March 31, 2005.

During the quarter ended March 31, 2006, Synergex generated \$6,722,629 in cash from operations compared to \$1,834,829 in the same quarter in the prior year.

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 March 31, 2006 totaled \$11,075,811 compared to \$7,544,729 as at March 31, 2005.

Synergex maintains un-utilized credit facilities with a Canadian chartered bank in the event that short-term financing is required. Synergex has nominal 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.

Consolidated Financial Position

Total consolidated assets decreased to \$43,565,208 at March 31, 2006 from \$46,353,320 as at March 31, 2005.

Total Shareholders' Equity increased to \$14,022,125 at March 31, 2006 from \$9,916,473 as at March 31, 2005.

Summary of 2006, 2005 and 2004 Quarterly Results

Fiscal 2006 (thousands of dollars)

	Q1
Sales in the quarter	\$28,869
Gross Profit	4,252
General and administration	2,368
Sales expense	573
Interest income	(84)
Interest expense	37
Amortization of equipment	171
Amortization of customer list	24
Employee termination costs	-
Loss (gain) on disposal of equipment	-
Business combination costs	-
Provision for income taxes	447
<i>Net income in the Quarter</i>	\$ 716
EBITDA, 2006, in the quarter	\$1,312

Fiscal 2005 (thousands of dollars)

	Q1	Q2	Q3	Q4
Sales in the quarter	\$43,836	\$20,550	\$29,801	\$57,080
Gross Profit	4,703	3,266	4,156	9,462
General and administration	2,225	2,231	2,464	2,952
Sales expense	353	176	331	2,931
Interest income	(43)	(31)	(42)	(81)
Interest expense	57	46	34	75
Amortization of equipment	159	167	170	216
Amortization of customer list	24	24	24	24
Employee termination costs	12	9	2	19
Loss (gain) on disposal of equipment	-	-	-	(16)
Business combination costs	177	32	4	(125)
Provision for income taxes	711	213	461	1,219
<i>Net income in the Quarter</i>	<i>\$1,029</i>	<i>\$ 399</i>	<i>\$ 708</i>	<i>\$ 2,248</i>
EBITDA, 2005, in the quarter	\$1,937	\$ 818	\$1,355	\$ 3,685

Fiscal 2004 (thousands of dollars)

	Q1	Q2	Q3	Q4
Sales in the quarter	\$16,259	\$20,912	\$23,320	\$53,232
Gross Profit	2,636	2,683	2,723	5,085
General and administration	1,783	1,894	1,858	2,555
Sales expense	205	164	220	624
Interest income	(36)	(30)	(25)	(38)
Interest expense	69	84	28	54
Amortization of equipment	159	160	157	178
Amortization of customer list	-	-	-	56
Loss (gain) on disposal of equipment	-	-	311	(3)
Employee termination costs	-	50	39	8
Lease termination costs	-	-	57	-
Business combination costs	-	-	-	147
Provision for income taxes	190	125	250	82
<i>Net income(loss)in the Quarter</i>	<i>\$ 266</i>	<i>\$ 236</i>	<i>\$ (172)</i>	<i>\$ 1,422</i>
EBITDA, 2004, in the quarter	\$ 648	\$ 575	\$ 549	\$1,752

Outstanding Share Data

For information on outstanding share data, please refer to Note 8 to the Consolidated 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 three months ended March 31, 2006, three customers each accounted for more than 10% of sales and five suppliers each accounted for more than 10% of purchases. In fiscal 2005, 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 of the Company's MD&A below.

Risk Factors

Any investment in the securities of Synergex must be considered speculative, generally, because of the nature of its business and the general stage of its development. In addition to the usual risks associated with investment in a business, investors should carefully consider the following risk factors:

Possible Volatility of Stock Price

The market price of Synergex' 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, 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.

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, however few competitors have the ability to offer an integrated solution set. There are many competitors in these industries and there is a significant variation in the size of their respective operations, which may vary from small, owner-managed businesses to large companies. This may present some opportunities for acquisitions. Our internal integration, expertise, and proprietary methodologies result in superior performance in fulfilling our clients' objectives and objectives for success.

Risks Associated with Expansion Activities

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 the functions, systems and procedures related to such presents an ongoing management function, and accordingly the failure to achieve such integration could 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 considering that 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.

Integration of Acquired Businesses and Growth

Management believes that Synergex is well positioned for future profitability and growth through a continual renewal and process of enhancement of our service disciplines, management methodologies, and learning-based marketing. 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 immediately. If the expected synergies from those transactions do not materialize, or if it fails to successfully integrate acquired businesses within a reasonable period of time, these issues may have an adverse effect on the business. Management will approach acquisitions of new business units, alliance and joint venture opportunities, and organic growth plans in a disciplined manner and to attempt to grow its business segments so that utilization of overheads is economized, and management, and therefore clients, are constantly well supported.

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 investments 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 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 Corporation 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.

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 his or her employment with Synergex, the loss of one or more of these individuals could have a short-term adverse effect on Synergex' operations and business prospects. Synergex does not carry "key man" insurance policies on any of its officers, directors, or employees.

Seasonality

Although Synergex' businesses are increasingly diversified across various product lines and is 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.

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 statements of operations at such time as the loss is determined.

Synergex Corporation's Management and Board of Directors

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

Nick Blasutto, CA, CBV,
Chief Financial Officer

Eric So
General Counsel

Matthew Reiter
Senior Vice-President

John L. Smith
Senior VP and Director

Jean-Paul Rehr
Vice-President

David A. Aello
Chairman of the Board

Neil Fleshner, MD
Director

Tom Davidson
Director

AUDITORS:

Daurio & Franklin LLP

LAWYERS:

Goodman and Carr LLP
Fraser Milner Casgrain LLP
Minden Gross Grafstein and Greenstein LLP

INVESTOR RELATIONS:

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*For more information on the company and what Synergex can do for your business,
please visit our website at: www.syx.ca Additional information regarding
Synergex Corporation is available under its profile on SEDAR at www.sedar.com.*