

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") and accompanying unaudited financial statements of Groupworks Financial Corp. (the "Corporation"), cover the three and nine month periods ended May 31, 2007. Since the Corporation was formed on July 5, 2006, no comparative information is provided on the interim financial statements. Certain balances have been provided for discussion purposes only. The MD&A of the Corporation for the third quarter ended May 31, 2007 should be read in conjunction with the interim unaudited financial statements and Prospectus of Groupworks Financial Corp. (the "Prospectus") dated April 27, 2007. The Corporation's Prospectus is available at www.sedar.com.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding. The information in this MD&A is presented as at July 27, 2007, unless otherwise noted.

This MD&A contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under "Risk and Uncertainties". This discussion also makes reference to certain non-GAAP measures such as EBITDA, and Adjusted EBITDA, to assist investors in assessing the financial performance of the Corporation. Non-GAAP measures do not have any standard meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other issuers.

Amounts set forth in this MD&A are stated in thousands of dollars except for per share and issued and outstanding share data, and unless otherwise noted.

Formation and Ownership Structure of the Corporation

The Corporation was formed in July 2006 in order to consolidate various pension and benefits advisory businesses under a single corporate structure. On September 1, 2006, the Corporation acquired, the Investment Guild Insurance Agencies Inc. and Buffett Taylor, and Associates Insurance Inc. both of which operate established pension and benefits consulting and outsourcing service businesses in Canada. Please refer to the "Business of the GWF Group – Description of the Business - Significant Acquisitions" noted in the Prospectus dated April 27, 2007.

On May 1, 2007 the Corporation amalgamated with its wholly owned subsidiaries the Investment Guild and Buffett, Taylor and continued as Groupworks Financial Corp.

On May 28, 2007 the Corporation closed its initial public offering (the "Offering") for approximately \$3.8 million before agent fees, by issuing 6.3 million units. Each unit consists of one Common Share and one and one-half of one share purchase warrant of the Corporation (each whole such purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants have been issued, one Common Share at a price of \$1.00 until May 28, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares trade exceeds \$1.20 for 20 consecutive trading days, then the Warrant term shall automatically be reduced and the Warrants will expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term. On June 7, 2007 Jones Gable & Company Limited (the "Agent") exercised its

over allotment option for an additional 600,000 common shares for gross proceeds of \$360.0 to the Corporation. Please refer to the “Summary” noted in the prospectus dated April 27, 2007 for details of the principal features of the initial public offering and the use of proceeds.

Directors of the Corporation currently own 23.01% of the issued and outstanding Common Shares calculated as of July 27, 2007. Specifically, as of July 27, 2007, Mr. Jeffery Case and Mr. Michael Thomas each own 5.97% of the issued and outstanding Common Shares, Mr. Derrick March owns 3.83% of the issued and outstanding Common Shares, and Mr. Sean Cleary and Mr. Mark Monaghan each hold 3.62% of the issued and outstanding Common Shares. Please refer to the Prospectus dated April 27, 2007 for further details on the Directors of the Corporation. John Gallivan, President of Gallivan & Associates Student Networks Inc. (“Gallivan”), currently owns 10.86% of the issued and outstanding shares of the Corporation. Please see discussion on “Acquisitions below.

Business Overview

The Corporation is a pension and benefits consulting and outsourcing firm, providing services to organizations in various industries. Its clients are primarily small and medium-sized organizations, which typically utilize its services on a recurring or contracted basis over a long term. The Corporation focuses on the integrated design and delivery of retirement, employee compensation and benefit programs. The Corporation has over 20 professionals and support staff with offices in two Ontario cities.

The Corporation derives revenue primarily from commissions paid by its clients’ insurance companies, which is common practice for the group benefits consulting business. These commissions are typically disclosed to the client and are based on a percentage of the premiums paid by the client to the insurance company. The Corporation assumes no underwriting risk as the insurance policy is underwritten by the insurance company. For some benefit consulting engagements, revenue may be derived from fees charged to clients for pension and benefits consulting and outsourcing in lieu of commissions described above. The largest operating expense of the Corporation is compensation and related costs which includes salaries, commissions, bonuses, stock options, benefits (e.g., pension, health, dental), and payroll taxes. Other operating expenses include occupancy costs, technology costs (equipment leases, telecommunications and software), non-recoverable client service costs (such as printing, travel and third-party professional services), training, marketing, office costs, professional services (legal and audit) and insurance.

Significant External Factors

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Corporation. See “Business of the GWF Group - Industry Overview” and “Business of the GWF Group -General Development – Trends” as noted in the Prospectus dated April 27, 2007.

The Corporation earns its revenues from a diverse base of clients in various industries. Approximately 26% of revenue is generated from the public sector in the form of municipalities, regions, townships, and school boards, all considered significant and stable employers. The Corporation also services an industry involving retail, wholesale distribution and production clientele. Approximately 23% of its revenues are generated from this industry segment.

Apart from these and the risk factors noted under the heading “Risk and Uncertainties”, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Corporation’s business, financial condition or results of operations.

Acquisitions

The Corporation’s business plan is to acquire additional businesses which are complementary to the existing businesses of the Corporation, and the Corporation currently has an active acquisition program underway. See “Business of the GWF Group – General Development – Future Acquisitions” as outlined in the Prospectus dated April 27, 2007.

On July 5, 2007, the Corporation purchased the shares of Gallivan and Associates Student Networks Inc. (“Gallivan”), a group benefits advisory company based in Waterloo, Ontario, that specializes in University and College student health and dental benefits in Canada. The aggregate purchase price paid for Gallivan was \$5,893.6, after adjusting for the assumption of certain liabilities, and was satisfied as follows; \$2,228.3 paid in cash at closing, \$1,221.8 satisfied by a vendor note and \$2,443.6 satisfied by the issuance of 3,054,488 common shares of Groupworks issued at \$0.80 per share. The vendor note portion of the purchase price is subject to certain performance criteria to ensure that the purchase price is representative of sustained value and financial performance. The financial position and results of operations of Gallivan have not been consolidated with Groupworks in the unaudited interim financial statements nor included in any of the results presented in this MD&A, as the acquisition occurred after the period ended May 31, 2007.

The Corporation

Results of Operations

The following summary financial information is derived from the Corporation’s unaudited consolidated financial statements for the three and nine month periods ended May 31, 2007.

Overview

During the first three quarters of fiscal 2007, the Corporation executed two acquisitions and began to roll out its strategy of aggregating small and medium sized group benefit advisory services businesses. During the first quarter the Corporation utilized \$795.0 it raised privately and \$1 million it rose in debt during the start up period in fiscal 2006, to execute the acquisitions of the Investment Guild and Buffett Taylor and to initiate activities for an initial public offering as outlined in the Corporation’s Prospectus dated April 27, 2007.

In the third quarter the Corporation closed its initial public offering raising approximately \$3.8 million by issuing 6.3 million shares at \$0.60 and approximately 3.25 million Warrants. Please see the details in the prospectus dated April 27, 2007. The Corporation also sold real estate property for proceeds of \$578.6. The proceeds from the offering and real estate disposition were utilized to pay the Offering costs, reduce debt and for general working capital purposes.

To date, the financial results are consistent with management’s expectations and the seasonality of its revenues. The Corporation experiences its largest policy renewals during the second and third quarters of its fiscal year and accordingly, revenue is traditionally higher during these periods.

The three month period ended May 31, 2007 is the third reporting period since the inception of the Corporation for which consolidated financial statements have been prepared giving effect to the results of the Corporation as a whole. The first three month period ended November 30, 2006 is disclosed in the Corporation's prospectus dated April 27, 2006 and available on www.sedar.com. The second reporting period ended February 28, 2007 is also available on www.sedar.com.

Selected summary financial information for the nine months ended May 31, 2007 is as follows:

<u>(\$ thousands)</u>	<u>Three months ended</u> <u>May 31</u> <u>2007</u>	<u>Three months ended</u> <u>February 28</u> <u>2007</u>	<u>Three months ended</u> <u>November 30</u> <u>2006</u>	<u>Nine months ended</u> <u>May 31</u> <u>2007</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income Statement Information				
Revenue	\$1,511	\$904	\$351	\$2,765
Net Income (Loss)	166	107	(301)	(27)
Balance Sheet Information				
Total assets	<u>9,293</u>	<u>7,347</u>	<u>6,971</u>	<u>9,293</u>
Total debt	2,941	4,461	4,391	2,941
Other liabilities	1,321	1,452	1,253	1,321
Shareholders equity	5,031	1,434	1,327	5,031
Total liabilities and shareholders equity	<u>9,293</u>	<u>7,347</u>	<u>6,971</u>	<u>9,293</u>
Weighted average (basic) shares outstanding	5,899,135	5,691,667	5,691,667	5,761,152
Income (Loss) per share	\$0.03	\$ 0.02	\$ (0.05)	\$ (0.01)
Fully diluted income (loss) per share	\$0.02	\$ 0.02	\$ (0.04)	\$ (0.01)

Revenue

Revenue for the three and nine months ended May 31, 2007 was \$1,115.2 and \$2,765.2 respectively consistent with management's expectations. During the second quarter, the Corporation added one new client but had three clients terminate their services with the Corporation. The net losses represent approximately \$185.0 in commissions annually. These losses have been partially offset by organic growth in the existing base of approximately \$85.0 annually due to expected increases on renewals. For the nine months ended May 31, 2007, the Corporation has added three new clients and in aggregate lost five with an annual revenue loss of approximately \$232.5. The net decrease, after accounting for renewal increases from organic growth is approximately \$150.1 annually. The Corporation achieved modest growth in its block of individual pension policies.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the three months and nine months ended May 31, 2007 were \$936.1 and \$1,796.0. The expense for the third quarter was as expected by

management reflecting an increase commission expense due to stronger revenues over the first and second quarters. For the nine months ended May 31, 2007 the expenses were higher than managements' expectations due to a \$118.9 non-cash charge in the nine month period for stock options granted. The charge was not contemplated in the Corporation's budgeting process.

Other Operating Expenses

Other operating expenses for the three and nine months ended May 31, 2007 were \$170.1 and \$513.4 respectively and consistent with management's expectations.

Interest Expense

Interest expense for the three and nine months ended May 31, 2006 was \$76.6 and \$363.4 respectively. In the third quarter \$14.4 was paid on the vendor take back for the acquisition of the Investment Guild, \$44.5 of interest accretion on the long term debt assumed on the acquisitions, \$16.2 accrued on the short term demand loan including attached warrants, and \$1.5 paid on the bank loans. For the nine months ended May 31, 2007 interest of \$43.7 was paid on the vendor take back loan for the acquisition of the Investment Guild (the "VTB Amount"), \$133.6 of interest accretion on the long term debt assumed on the acquisitions, \$81.6 paid on the short term demand loan including attached warrants, and \$4.5 paid on the bank loans.

In the quarter, the Corporation reduced total debt by approximately \$1.5 million.

Amortization

Amortization for the three and nine months ended May 31, 2007 was \$70.6 and \$207.2 respectively. Approximately \$58.1 is expensed each quarter for intangible assets which are being amortized over 10 years. A further charge of \$3.3 is for deferred acquisition costs which are amortized over the same term as the intangible assets. The balance is depreciation on the capital assets. In the third quarter, the Corporation moved its head office and incurred capital outlays totalling approximately \$124.3 in the newly leased facility.

Income Tax Expense

For the three months ended May 31, 2007 the current income tax expense was \$108.0 compared to \$32.6 in the second quarter. The charge resulted from the increased income in the period as a result of stronger revenues. For the nine months ended May 31, 2007 the income tax expense is approximately \$53.2.

Net Income

As a result of the revenue and expenses described above, net income for the third quarter was \$166.3 and consistent with the seasonal nature of the operations of the Corporation. For the nine months ended May 31, 2007 the net loss is \$27.5 and consistent with managements expectations given the change in the capital structure of the combined company and resulting interest and amortization charges.

Management expects to incur a loss in the fourth quarter due to a lower number of renewals expected during that period which is consistent with the seasonality of the business

Liquidity and Capital Resources

For the three months ended May 31, 2007, cash used by operating activities was \$17.7 and consistent with managements expectations despite the significant increase in revenue. One of the Corporations largest renewals occurs in April but cash is not advanced by the carrier until June. Approximately \$566.0 was received in June. Investing activities resulted in an inflow of \$453.1 due mainly to the sale of real estate. On May 2, 2007, the Corporation closed the sale of real estate assumed as part of the Investment Guild acquisition and received proceeds of \$578.6. This was offset by capital assets purchases of \$124.3 for furniture, fixtures and leaseholds related to the Corporations move to new leased premises in Markham, Ontario.

The Corporation also closed its initial public offering as described above resulting in net proceeds of approximately \$1.8 million after deducting Agent commissions, equity issuance costs paid to lawyers, accountants and regulators and reducing short term and long term debt by \$1.1 million and \$471.3 respectively.

For the nine months ended May 31, 2007, cash flow from operating activities was \$13.9. This is consistent as described above due to the delay in receiving a commission advance, subsequent to the quarter end from one of the Corporations largest client groups.

The Corporation had significant investing and financing activity in the nine months ended May 31, 2007 as it began executing its acquisition strategy and completed an initial public offering. Prior to September 1, 2006 the Corporation issued 4,358,001 Common Shares and raised \$795.0 through various private placements. During the period, cash was utilized to pay certain operating expenses. Two acquisitions were closed during the period, totalling \$5,678.9, and financed with (i) debt of \$4,390.7 of which \$1,000 is short term; (ii) shares issued for \$800.0; and (iii) approximately \$488.2 of cash paid on closing.

A third acquisition was closed subsequent to the third quarter as described earlier in this MD&A totalling \$5,893.6 and financed with (i) \$1,221.7 of vendor debt; (ii) shares issued for \$2,443.6; and (iii) cash of \$2,228.3 paid on closing.

During the nine months ended May 31, 2007 the Corporation's cash increased by \$1,484.0 to \$2,247.8 mainly due to the net proceeds from the initial public offering and sale of real estate. Subsequent to the quarter, in June 2007 the Agent exercised its over-allotment for net proceeds of \$334.8 and the Corporation collect \$566.0 of its accounts receivables, allowing it to pay \$2,228.3 in cash for the acquisition of Gallivan and maintain enough cash for working capital purposes. The Corporation expects to generate enough cash from operations over the next quarter to satisfy its pending obligations.

Future expected payments are as follows:

	Total	Payments due by period		
		December 2006 to August 2007	2008 to 2011	Beyond 2011
Short term debt	1,069	30	1,039	-
Long term debt	1,872	-	1,838	34
Operating leases	296	81	215	-
	3,237	111	3,092	34

Seasonality

The business of the Corporation is seasonal as it generally experiences a lower number of renewals and consequently decreased revenues during Q1 and Q4, as consulting and client personnel take vacation during those months and clients of the Corporation focus upon personal and corporate year ends. On a consolidated basis, approximately 23% of the revenue of the Corporation is earned from an industry involving retail, wholesale distribution and production clientele that consists of over 300 companies. The majority of the revenue earned from that industry resulted in increased revenues in the third quarter. Other group benefit plan anniversaries occur at random throughout the remainder of the year.

Related Party Transactions

During the third quarter, the Corporation made payments to certain officers and employees of \$111.4 as commissions. An additional \$42.2 is owed and has been recorded in the accrued liabilities in the financial statements. These commissions are earned and consistent with the current employment agreements. For the nine months ended May 31, 2007 the payments totalled \$334.1. Further, payments of \$14.4 in interest and \$8.5 of principal were made in the quarter, on the vendor take back loan held by the officers. For the nine months ended May 31, 2007, a total of \$43.7 in interest and \$25.1 in principal has been paid. The balance of this amount at May 31, 2007 was \$367.1. These officers are also owed \$800.0 within the next 18 months.

Critical Accounting Policies and Estimates

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported values of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Accordingly, actual results could differ from these estimates. The accounting policies and estimates that are critical to the Corporation's business relate to:

Revenue recognition

The Corporation earns commission revenue as payment for the provision of benefits consulting services to clients, as a percentage of insurance premiums paid by our clients. Commission revenue is received annually, semi-annually, quarterly or monthly. Annual fees are typically paid at the beginning of the insurance policy period and are recognized as income at the later of the billing or effective date of the policy, net of a provision for return commissions due to policy cancellations.

The Corporation also earn fee-for-service revenue based on hourly rates and the time spent delivering those services. The Corporation may earn contracted revenue based on negotiated fixed amounts, rather than the time spent. Revenue is recognized in the period that the service is rendered, irrespective of when it is invoiced. Unbilled fees are recorded at the lower of unbilled hours worked at standard billing rates and the amount which management estimates can be recovered upon invoicing. Expenses are recognized as incurred. Revenue does not include reimbursements for recoverable expenses, such as employee travel expenses, outside printing and third party professional services. Reimbursements are accounted for as a reduction to expenses.

Amortization of finite-life intangible assets

Under GAAP, finite-life intangible assets are amortized over their estimated useful lives. Management estimates that the estimated useful life of the customer relationships acquired is 10 years. The Company amortizes the cost of these finite-life intangible assets on a straight-line basis over 10 years. Management tests for recoverability of the carrying value of these intangible assets annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Allowance for doubtful accounts

A provision for accounts receivable resulting from the potential risk that the receivable will not be collected has been recorded. Management continually monitors past due accounts to assess the likelihood of collection to estimate the required provision.

Future income tax

The Company uses the asset and liability method of accounting for income taxes. Future income tax assets are recognized only to the extent that management determines it is more likely than not that the future income tax assets will be realized.

Financial Instruments and Other Instruments

Groupworks' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities whose carrying values approximate fair values due to their short-term nature. The Corporation is not engaged in hedging activities and does not own other instruments that may be settled by the delivery of non-financial assets. In management's view, the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

Risks and Uncertainties

The result of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company. See "Risk Factors— Risks Related to the Business of GWF Group" for a complete discussion of risks affecting the Corporation's business please refer to the Prospectus dated April 27, 2007.

Outlook

The Corporation believes that the following transactions contemplated by this prospectus and the Corporation's ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures, working capital and limited acquisition activity. The Corporation's future needs may, however, change, and in such event the Corporation's ability to satisfy its obligations will be dependent upon its future financial performance, which in turn will be subject to a number of risks and uncertainties, including elements beyond the Corporation's control. See "Risk Factors" as outlined in the Prospectus dated April 27, 2007.

Additional Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com