

Consolidated Financial Statements

Brainhunter Inc.

September 30, 2007

AUDITORS' REPORT

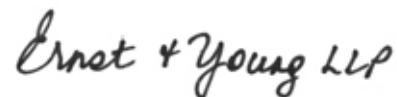
To the Shareholders of
Brainhunter Inc.

We have audited the consolidated balance sheets of **Brainhunter Inc.** as at September 30, 2007 and 2006 and the consolidated statements of operations and loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
December 18, 2007 *(except as to Note 11,
which is as of December 28, 2007)*



Chartered Accountants
Licensed Public Accountants

Brainhunter Inc.
CONSOLIDATED BALANCE SHEETS

As at September 30	2007	2006
	\$	\$
ASSETS <i>[note 11]</i>		
Current		
Restricted short-term investment <i>[note 10]</i>	-	125,000
Accounts receivable	44,545,035	39,596,147
Deposits and prepaid expenses	558,275	610,969
Future income tax asset <i>[note 6]</i>	1,419,557	939,664
Total current assets	46,522,867	41,271,780
Capital assets, net <i>[note 4]</i>	6,136,648	6,755,710
Other assets	524,801	151,345
Investment tax credits recoverable <i>[note 3]</i>	1,373,122	1,373,122
Deferred financing costs <i>[note 9]</i>	-	1,285,194
Intangible assets, net of amortization <i>[note 7]</i>	8,546,550	12,447,886
Goodwill <i>[note 7]</i>	20,232,800	20,232,800
Due from related parties <i>[note 5]</i>	443,483	190,150
	83,780,271	83,707,987
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	23,958,904	23,518,477
Current portion of deferred lease inducement	68,380	39,490
Current portion of provision for lease restructuring	249,158	261,756
Current portion of long-term debt <i>[notes 5 and 10]</i>	3,229,774	4,139,378
Deferred revenue	272,524	416,714
Total current liabilities	27,778,740	28,375,815
Deferred lease inducement	538,397	325,153
Provision for lease restructuring	140,748	377,312
Long-term debt <i>[notes 5 and 10]</i>	14,758,954	13,818,884
Term bank credit facility <i>[note 11]</i>	24,484,009	21,795,732
Long-term future income tax liabilities <i>[note 6]</i>	3,013,908	2,437,234
Total long-term liabilities	42,936,016	38,754,315
Commitments and contingencies <i>[note 8]</i>		
Shareholders' equity		
Capital stock <i>[note 12]</i>	20,018,959	20,309,153
Warrants <i>[note 12]</i>	1,531,325	1,423,498
Contributed surplus <i>[note 12]</i>	1,401,586	1,082,508
Equity component of convertible note obligation <i>[note 12]</i>	1,951,285	1,607,726
Deficit	(11,837,640)	(7,845,028)
Total shareholders' equity	13,065,515	16,577,857
	83,780,271	83,707,987

See accompanying notes

On behalf of the Board:

John McKimm
Director

John Gillies
Director

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND LOSS

Year ended September 30	2007	2006
	\$	\$
Revenue	224,564,757	166,503,522
Cost of revenues	190,504,320	138,830,406
Gross profit	34,060,437	27,673,116
Expenses		
Other staffing costs	19,248,137	17,611,170
Selling, general and administrative	7,044,397	7,016,250
	26,292,534	24,627,420
Income before write off of capital assets, transaction costs, interest, amortization, and other	7,767,903	3,045,696
Write off of capital assets	120,000	-
Transaction costs	113,784	-
Interest expense	3,003,503	2,484,580
Interest expense - accreted <i>[notes 1[b] and 10]</i>	1,474,368	1,117,631
Amortization of capital assets	1,736,791	1,074,318
Amortization of intangible assets	3,901,336	3,614,336
Amortization of deferred financing costs <i>[note 1[b]]</i>	-	916,991
Other <i>[note 12[b]]</i>	371,612	-
Total	10,721,394	9,207,856
Loss before income taxes	(2,953,491)	(6,162,160)
Recovery of income taxes <i>[note 6]</i>	(2,884)	(1,461,788)
Net loss for the year	(2,950,607)	(4,700,372)
Loss per share <i>[note 12[e]]</i>		
Basic and diluted	(\$0.07)	(\$0.11)

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF DEFICIT

Year ended September 30	2007	2006
	\$	\$
Deficit, beginning of year	(7,845,028)	(3,144,656)
Adjustment due to change in accounting policy <i>[note 1[b]]</i>	(1,042,005)	-
Adjusted deficit beginning of year	(8,887,033)	(3,144,656)
Net loss for the year	(2,950,607)	(4,700,372)
Deficit, end of year	(11,837,640)	(7,845,028)

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(2,950,607)	(4,700,372)
Add (deduct) items not affecting cash:		
Future income taxes	48,301	(1,461,788)
Amortization of deferred financing costs	-	916,991
Accretion of interest	1,474,368	1,117,631
Write off of capital assets	120,000	-
Changes in fair value of derivative	30,036	-
Non-cash leasehold inducement	78,871	-
Amortization of deferred lease inducement and provisions	(75,714)	(39,490)
Amortization of provision for lease restructuring	(249,162)	(208,411)
Stock-based compensation expense	319,078	118,801
Amortization of capital assets	1,736,791	1,074,318
Amortization of intangible assets	3,901,336	3,614,336
	4,433,298	432,016
Net change in non-cash working capital items <i>[note 14]</i>	(4,658,955)	(1,368,611)
Cash used in operating activities	(225,657)	(936,595)
FINANCING ACTIVITIES		
Exercise of common share options <i>[note 12]</i>	220,200	66,299
Repayment of bank indebtedness	-	(9,933,660)
Increase in deferred financing costs	-	(1,696,151)
Increase in deferred lease inducement	217,365	73,905
Repayments from (loans to) related parties	(253,333)	92,009
Share purchase loans <i>[note 12]</i>	(235,620)	(242,000)
Proceeds from term bank credit facility	2,688,277	21,795,732
Proceeds from long-term debt	2,586,000	12,498,000
Repayment of long-term debt <i>[note 10]</i>	(3,099,147)	(587,104)
Cash provided by financing activities	2,123,742	22,067,030
INVESTING ACTIVITIES		
Proceeds from restricted short-term investments	125,000	-
Additions to capital assets	(1,300,729)	(1,699,252)
Increase in other assets	(373,456)	-
Contingent payments relating to prior-years' acquisitions <i>[note 12[b]]</i>	(348,900)	-
Business acquisitions, net of cash acquired <i>[note 2]</i>	-	(18,786,362)
Cash used in investing activities	(1,898,085)	(20,485,614)
Net increase in cash during the year	-	644,821
Cash (bank overdraft), beginning of year	-	(644,821)
Cash (bank overdraft), end of year	-	-
Supplemental cash flow information		
Interest paid	2,779,764	2,484,580

See accompanying notes

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**[a] Basis of consolidation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["Canadian GAAP"] and include the accounts of Brainhunter Inc. and, from the respective dates of acquisition of control, its wholly owned subsidiaries, collectively referred to herein as the "Company". All significant inter-company balances and transactions have been eliminated on consolidation.

[b] Change in accounting policy**Financial instruments**

Effective October 1, 2006, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 1530: Comprehensive Income; Section 3251: Equity; Section 3855: Financial Instruments – Recognition and Measurement; and Section 3865: Hedges, retroactively, without restatement. These new Handbook sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its accounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, debt and the term bank credit facility are classified as other financial liabilities and measured at amortized cost. The principal changes in the accounting for financial instruments are described below.

Costs of obtaining bank and long-term debt financing

The Company has changed its accounting policy relating to costs of obtaining bank and other debt financing paid directly to the financing institution. Those costs are now netted against the carrying value of the related debt and amortized into accreted interest expense using the effective interest rate method, resulting in an increase in interest expense of \$374,167. Prior to the adoption of the new standards, those costs were previously reported in deferred costs and amortized over the term of the related financing. The amortization of these costs was reported as a separate line in the consolidated statements of operations and loss and the amortized balance disclosed in deferred costs on the consolidated balance sheets.

The Company has also changed its accounting policy relating to transaction costs of obtaining bank and long-term debt financing paid to intermediaries and professional advisors aiding the Company in obtaining the financing. Under the new policy those costs are expensed as incurred as a separate line in

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2007

the consolidated statements of operations and loss. Under the previous policy those transaction costs were deferred and amortized over the term of the related financing as a separate line in the consolidated statements of operations and loss and the amortized balance disclosed in deferred financing costs on the consolidated balance sheets. The change in policy has been made retrospectively effective October 1, 2006 and had the effect of increasing the deficit at October 1, 2006 by \$911,027.

Embedded derivative

Included in the Company's debt as described in note 10 (a) is an embedded derivative. Based upon the new recommendations, the financial instrument is required to be bifurcated with the embedded derivative recorded at fair value at each reporting date and the resultant change in fair value is included in other expenses. The change in policy has been made retrospectively effective October 1, 2006 and resulted in a decrease in warrants and long-term debt of \$58,840 and \$163,165, respectively, an increase in derivative liability of \$352,983 and an increase to the deficit at October 1, 2006 by \$130,978.

The effect of these changes in accounting policies on the current year's consolidated financial statements is a reduction in the net loss of \$1,093,721.

[c] Revenue recognition

The Company provides computer and engineer consultant placements to customers based on written agreements. Revenue from contracts that is earned over a period of time is recognized monthly when clients are billed for hours worked at agreed rates. Other one-time fees earned for individual placements are recognized in the month the individual commences the new job.

The Company enters into written contracts with customers to complete specific software consulting projects. Customer billings are prepared monthly based on hours worked and agreed rates, at which time revenue is recognized. To a significantly lesser degree, certain other contracts are fixed-price, for which revenue is recognized monthly using the percentage of completion basis.

Service revenue on fixed-price contracts is recognized on a percentage of completion basis whereby revenue is recorded at the estimated net realizable value of work completed to date. Estimated losses on contracts in progress are recognized when known. Deferred revenue represents amounts billed in advance of satisfying the related service.

The Company markets third-party software for which customers are billed upon delivery. The Company also supplies consulting and training services related to the software, for which revenue is recognized when these services are provided.

The Company earns revenue from software licenses for in-house developed software that is deferred and amortized over the term of the license. Software implementation revenue is recognized in the period the implementation is completed.

The Company's accounting policy complies with the revenue determination requirements set forth in EIC-142, "Revenue Arrangements with Multiple Deliverables", relating to the separation of multiple deliverables into individual accounting units with determinable fair values.

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007

[d] Capital assets

Capital assets are recorded at cost, less related investment tax credits. Amortization is provided for over the estimated useful lives of the related assets at the following annual rates and methods:

Furniture and office equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	100% declining balance
Developed software	Straight-line over 5 years
Leasehold improvements	Straight-line over the lease term

[e] Goodwill

Goodwill represents the excess of the purchase consideration paid over the fair value of identifiable net assets of acquired businesses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations and loss.

[f] Intangible assets

Intangible assets, comprising contracts, non-competes, customer relationships, trademarks, tradenames, internet domain addresses, and patented technology are being amortized on a straight-line basis over their estimated period of benefit which varies from two to five years.

[g] Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax value of assets and liabilities and for the benefit of tax losses that are carried forward to offset future years' current taxes payable if they are likely to be realized. Future tax assets and liabilities are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based upon available information, it is more likely than not that some of or all of the future income tax assets may not be realized.

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2007

[h] Deferred lease inducements

Leasehold inducements comprise free rent and leasehold improvement incentives. Leasehold inducements are deferred and amortized to reduce rental expense on a straight-line basis over the term of the related lease.

[i] Research and development

Research and development costs are expensed as incurred unless the development costs meet certain generally accepted accounting criteria in Canada.

[j] Investment tax credits

Investment tax credits relating to qualifying research and development expenditures are recorded as a reduction from the expenditures or assets to which they relate and there is reasonable assurance that the investment tax credits will be realized.

[k] Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at year end. Revenue and expense items are translated into Canadian dollars using exchange rates in effect on the transaction dates. Gains and losses from translation activities are included in earnings for the year.

[l] Financial instruments

The fair value of financial instruments approximates their carrying value unless otherwise disclosed in the consolidated financial statements.

[m] Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the allowance for potentially uncollectible accounts receivable, accrued liabilities, the length of product cycles and the related useful life of capital assets, providing for the recovery of investment tax credits, and providing for a valuation allowance for future income tax credits and the classification of the current year's benefit expected to be realized, all of which are based on management's best estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on these consolidated financial statements of changes in estimates in future periods could be significant. Actual results could differ from those estimates.

[n] Impairment of long-lived assets

The Company reviews long-lived assets such as capital assets and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of the assets exist and the carrying value is greater than the net

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

[o] Stock-based compensation

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at the fair value at the grant date using the Black-Scholes valuation model and charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus.

2. BUSINESS ACQUISITIONS**Year ended September 30, 2006****AJJA Information Technology Consultants Inc.**

On October 11, 2005, 100% of the common and preference shares of AJJA Information Technology Consultants Inc. ("AJJA"), an information technology staffing company, were acquired for cash, convertible notes, and zero-interest vendor-take-back loans. The convertible notes have a nominal value of \$4,000,000 and are to be repaid \$325,000 quarterly plus interest beginning December 31, 2006 and \$337,500 quarterly plus interest beginning June 30, 2007. Interest is payable on each payment date at the rate equivalent to that on a 90-day Canadian Treasury Bill for the 90-day period immediately preceding each payment date, with interest accruing from October 1, 2006. The notes are convertible over their term to common shares of the Company at an exercise price of \$1.00 per share. In accordance with CICA 3860, the convertible notes are to be separated into two components: a financial liability to make future payments and an equity instrument that is effectively a call option granting the holder the right, for a specified period of time, to convert into common shares of the Company. The Company has calculated the fair value of the financial liability component of the convertible notes to be \$3,122,573 by discounting the quarterly payments of principal plus estimated interest using an effective interest rate of 15% per annum. This discount on the convertible notes is being charged to interest expense over the term of the loan. The carrying amount of the equity instrument, \$877,427, was determined by deducting the fair value of the financial liability from the amount of the convertible notes as a whole. The zero-interest vendor-take-back loans have a nominal value of \$2,200,000 and are to be repaid \$36,667 monthly for 60 months. The Company has calculated the fair value of the vendor-take-back loan to be \$1,541,268 by discounting the monthly payments using an effective interest rate of 15%. This discount on the vendor-take-back loan is being charged to interest expense over the term of the loans. The results of AJJA have been consolidated commencing October 11, 2005.

The Company accounted for the acquisition of AJJA using the purchase method of accounting. The purchase price for the AJJA acquisition has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

Brainhunter Inc.
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September 30, 2007

	\$
Working capital	1,233,833
Capital assets	185,771
Intangible assets – existing contracts	600,000
Intangible assets - customer relationships	6,000,000
Intangible assets - non-competition agreements	500,000
Future income tax liability	(2,564,520)
Goodwill	6,375,685
	12,330,769

The purchase price components for the acquisition of AJJA are:

	\$
Cash consideration	6,200,000
Liability portion of notes	3,122,573
Conversion rights on notes	877,427
Vendor-take-back loan	1,541,268
Transaction costs	589,501
	12,330,769

The costs of the intangible assets are being amortized on a straight-line basis as follows:

Customer relationships	5 years
Existing contracts	2 years
Non-competition agreements	3 years

iGate Mastech Ltd.

On November 16, 2005, 100% of the common shares of iGate Mastech Ltd. (“iGate”), an information technology staffing company, were acquired for cash and a promissory note. The promissory note has a nominal value of \$500,000 that is due November 16, 2007. The promissory note pays interest only quarterly at the rate equivalent to that on a 90-day Canadian Treasury Bill for the 90-day period immediately preceding each payment date. The Company has calculated the fair value of the vendor-take-back loan to be \$399,829 by discounting the nominal value plus the stream of estimated quarterly interest payments using an effective interest rate of 15% per annum. This discount on the promissory note is being charged to interest expense over the term of the note. The results of iGate have been consolidated commencing November 16, 2005.

The Company accounted for the acquisition of iGate using the purchase method of accounting. The purchase price for the iGate acquisition has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	\$
Working capital	5,410,259
Capital assets	243,159
Intangible assets - existing contracts	400,000
Intangible assets - customer relationships	5,300,000
Liability for premises leases	(574,441)
Future income tax liability	(1,418,765)
Goodwill	4,474,713
	<u>13,834,925</u>

The purchase price components for the acquisition of iGate are:

	\$
Cash consideration	12,534,096
Vendor-take-back loan	399,829
Transaction costs	901,000
	<u>13,834,925</u>

An amount of \$167,346 [2006 - \$273,038] of the liability for premises leases remains unpaid at the balance sheet date.

The costs of the intangible assets are being amortized on a straight-line basis as follows:

Customer relationships	5 years
Existing contracts	2 years

3. INVESTMENT TAX CREDITS RECOVERABLE

Investment tax credits consist of the following:

	2007	2006
	\$	\$
Investment tax credits recoverable	1,373,122	1,363,127
Income taxes recoverable	-	9,995
	<u>1,373,122</u>	<u>1,373,122</u>
Less current portion	-	-
	<u>1,373,122</u>	<u>1,373,122</u>

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007

4. CAPITAL ASSETS

Capital assets consist of the following:

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and office equipment	2,176,467	1,549,264	2,065,992	1,419,803
Computer equipment	5,030,877	4,226,199	4,833,849	3,973,747
Computer software	1,528,871	1,364,074	1,375,157	1,199,296
Developed software	6,111,623	2,537,304	5,824,711	1,492,042
Leasehold improvements	1,263,312	297,661	989,491	248,602
	16,111,150	9,974,502	15,089,200	8,333,490
Less accumulated amortization	9,974,502		8,333,490	
	6,136,648		6,755,710	

5. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following:

[a] Due from related parties:

	2007	2006
	\$	\$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms. These loans are guaranteed by the Chairman of the Company.	175,150	190,150
Loan to the President of the Company, collateralized by convertible term notes issued by the Company as part of a financing of \$7,856,000 as described in Note 10. The loan bears interest at 8% and is due on the maturity date of the convertible notes.	268,333	-
	443,483	190,150

The fair value of the loans to companies related to the Chairman of the Company cannot be determined as there are no fixed repayment terms.

[b] Long term debt:

Certain long-term debt of the Company totaling \$4,848,840 is held by senior executives and directors of the Company. As part of this debt, 1,579,000 warrants were issued to these related parties. This debt and the subsequent warrants issued are recorded at fair market value as the debt held by related parties has the same terms as debt held by unrelated debt-holders.

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. INCOME TAXES [note 2]

[a] The recovery of income taxes consists of the following:

	2007	2006
	\$	\$
Future	(2,884)	(1,461,788)

[b] The provision for (recovery of) income taxes differs from the expense that would be obtained by applying the statutory tax rate to loss before income taxes as a result of the following:

	2007	2006
	\$	\$
Income tax recovery at statutory tax rate	(1,066,801)	(2,225,772)
Increase (decrease) in income taxes resulting from:		
Tax effect of expenses not deductible for income tax purposes	682,028	478,344
Change in valuation allowance	345,363	(2,678)
Ontario Corporate Minimum Tax	-	3,463
Change in statutory rates	87,711	(86,156)
Change in tax reserves	-	300,519
Other	(51,185)	70,492
	(2,884)	(1,461,788)

[c] Future income tax assets (liabilities) consist of the following temporary differences:

	2007	2006
	\$	\$
Deferred lease inducement	200,928	125,442
Share issue costs	499,812	220,028
Loss carryforwards	5,355,591	6,382,092
Capital assets	(952,412)	(847,496)
Investment tax credits	(274,397)	(274,397)
Loan and lease reserves	227,051	230,831
Intangible assets	(2,705,162)	(4,093,353)
	2,351,411	1,743,147
Less valuation allowance	(3,945,762)	(3,240,717)
Less current portion	(1,419,557)	(939,664)
	(3,013,908)	(2,437,234)

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007

[d] Expiry of losses and investment tax credits

As at September 30, 2007, the Company has non-capital losses of approximately \$16,029,000 and investment tax credits of approximately \$2,007,000 available to reduce future years' income for tax purposes. If not utilized, these losses and investment tax credits will expire as follows:

	Investment tax credits \$000's	Non-capital losses \$000's
2008	-	1,877
2009	-	710
2010	-	321
2011	-	-
2012	107	-
2013	413	-
2014	548	1,453
2015	595	5,259
2016	344	-
2026	-	5,148
2027	-	1,261
	2,007	16,029

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill consists of the following:

	2007	2006
	\$	\$
Balance, beginning of year	20,232,800	9,382,402
Additions:		
Acquisition [note 2]	-	6,375,685
Acquisition [note 2]	-	4,474,713
Balance, end of year	20,232,800	20,232,800

Brainhunter Inc.
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Intangible assets consist of the following:

	2007		2006	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Contracts	2,176,339	2,123,345	2,176,339	1,623,339
Non-competition agreements	685,000	505,000	685,000	337,000
Customer relationships	16,370,000	8,056,444	16,370,000	4,823,114
Other	391,764	391,764	391,764	391,764
	19,623,103	11,076,553	19,623,103	7,175,217
Less accumulated amortization	11,076,553		7,175,217	
	8,546,550		12,447,886	

8. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has operating leases for its premises, furniture and fixtures and certain computer and communications equipment, as well as certain purchase commitments. The future minimum annual lease payments for the next five years and thereafter are as follows:

	\$000's
2008	1,791
2009	1,659
2010	1,467
2011	1,459
2012	1,480
Thereafter	3,604
	11,460

Contingencies

During the ordinary course of business activities, the Company may be a party to claims and may be contingently liable for litigation. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the Company.

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9. DEFERRED FINANCING COSTS

The deferred financing costs are related to the term bank facility (Note 11) and long-term debt (Note 10) obtained.

	2007	2006
	\$	\$
Balance, beginning of year	1,285,194	434,000
Impact of change in accounting policy <i>[note 1[b]]</i>	(1,285,194)	-
	-	434,000
Expenditures during the year	-	1,768,185
	-	2,202,185
Amortization during the year	-	(916,991)
Balance, end of year	-	1,285,194

10. LONG-TERM DEBT *[notes 2 and 5]*

Long-term debt consists of the following:

	2007	2006
	\$	\$
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75,000	76,894	165,368
Acquisition obligation of the Company to pay \$458,382 on March 10, 2006 in common stock of the Company based on the weighted average trading price for previous twenty days or, at the Company's option, in cash, however, the holders have the right to refuse a cash offer and elect to accept shares	200,166	458,382
Promissory note, non-interest bearing, payable yearly beginning October 2004, at the greater of \$75,000 or a formula based on Protec's income	75,000	282,655
V2H acquisition convertible note obligation of \$446,054, non-interest bearing repayable in equal quarterly principal payments of \$55,757 beginning in the second year after closing, and at the holders' option, convertible into common shares of the Company at a price of \$2.00 per share; fair value of conversion rights added to shareholders' equity	40,430	245,776
Present value of Promethean acquisition obligation		

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of \$49,307 at 36 interest-only monthly payments of \$1,500, discounted at 0.5% per month	10,294	27,124
Sirius acquisition convertible note obligation, bearing interest tied to the 90-day treasury bills rate, repayable in equal quarterly principal payments of \$125,000, and at the holders' option, convertible into common shares of the Company at a price of \$3.00 per share, fully collateralized by Government of Canada Treasury Bills held by a trust	-	125,000
AJJA acquisition convertible note obligation of \$4,000,000, bearing interest tied to the 90-day treasury bill rate of 4.1%, repayable quarterly \$650,000 plus interest beginning December 31, 2006 and \$675,000 plus interest beginning June 30, 2007, and at the holders' option, convertible into common shares of the Company at a price of \$1.00 per share; fair value of conversion rights added to shareholders' equity <i>[note 5[b]]</i>	1,995,591	3,470,518
AJJA acquisition vendor-take-back loan of \$2,200,000, non-interest bearing, repayable \$36,667 monthly for 60 months <i>[note 5[b]]</i>	955,938	1,264,192
iGate acquisition promissory note of \$500,000 with a term of two years, repayable at maturity November 16, 2007, with interest-only quarterly payments at a rate tied to the 90-day treasury bill rate of 4.1%	493,738	443,654
Debenture of \$5,000,000, repayable on December 15, 2008, paying interest-only quarterly at 12%, collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank <i>[note 10[a]]</i>	5,057,116	4,745,216
Convertible term notes of \$7,856,000 with a term of three years, repayable at maturity only, with monthly payments of interest at 8%, collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture, and at the holders' option, convertible into common shares of the Company at a price of \$1.50 per share; fair value of conversion rights added to shareholders' equity <i>[notes 10[b] and 5[b]]</i>	7,157,082	6,730,377
Convertible term notes of \$2,586,000 due February 2, 2009, repayable at maturity only with quarterly payments of interest only at 10% payable in cash or shares at holder's option, collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture, and at the holder's option, convertible into common shares of the Company at a price of \$0.75 per share; fair value of conversion rights added to shareholders' equity		

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<i>[notes 10[c] and 5[b]]</i>	1,926,479	-
	17,988,728	17,958,262
Less current portion	3,229,774	4,139,378
	14,758,954	13,818,884

Repayment of Long-Term Debt

The planned repayment of long-term debt is as follows. Of the amount repayable in Fiscal 2008, \$200,166 is repayable in common shares of the Company, at the option of the debt-holder:

	\$000's
2008	3,230
2009	14,683
2010 and subsequent	76
	17,989

Included in interest expense is \$1,538,871 relating to long-term debt [2006 - \$1,273,821]. All accreted interest expense of \$1,474,368 relates to long-term debt [2006 - \$1,117,631].

- [a] On November 16, 2005 the Company issued a debenture of \$5,000,000, repayable December 15, 2008, paying interest only during the term on a quarterly basis at 12% per annum. The debenture is collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank [see Note 11]. The lender was issued 1,000,000 common share purchase warrants of the Company, exercisable at \$1.00 per common share at any time, with total return to the lender guaranteed at 15%. The interest guarantee is considered to be an embedded derivative and has been valued at \$382,970 [2006 - \$352,893] and is included in the outstanding obligation at September 30, 2007. The Company has recalculated the fair value of the debt component of the debenture at September 30, 2007 to be \$4,550,750 by discounting the quarterly interest payments and the final principal payment using the current market interest rate.
- [b] During Fiscal 2006 the Company issued convertible term notes of \$7,856,000 with a term of three years, paying interest only during the term at 8% per annum. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank (see Note 11) and the debenture [see [a] above]. The notes are convertible at \$1.50 of face value per Company common share at any time. The Company also issued 500 common share purchase warrants per \$1,000 face value of convertible debt, exercisable at \$1.00 per common share at any time. After 12 months, should the Company's common shares trade above a weighted average trading price of \$2.00 over 20 days, the Company retains the option to require holders of these convertible term notes to convert or redeem them at the outstanding principal plus accrued interest. The following assumptions were used to estimate the fair value of the share purchase warrants:

Risk-free interest rates	3.75%
Expected warrant life	3 years
Expected dividend yield	Nil
Stock volatility	42.68%

- [c] In February, 2007 the Company issued convertible term notes of \$2,586,000 with a term of two years, with principal repayable at the end of the term. Interest accrues during the term at 10% per annum, compounding monthly. Subject to certain conditions, the note-holders may have interest paid to them quarterly in shares of the Company. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank (see Note 11) and the debenture [see [a]

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above]. The notes are convertible at \$0.75 of face value per Company common share at any time, and were accompanied by 50 common share purchase warrants of the Company per \$100 face value, exercisable at \$0.60 per common share at any time. The Company retains the option to require holders of these convertible term notes to convert or redeem them at any time in increments of \$250,000. The following assumptions were used to estimate the fair value of the share purchase warrants:

Risk-free interest rates	4.06%
Expected warrant life	2 years
Expected dividend yield	Nil
Stock volatility	60%

11. TERM BANK CREDIT FACILITY

The Company has a revolving demand credit facility from a Schedule "A" bank, maturing October 15, 2008, bearing interest at prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio, which is collateralized by a general security agreement that constitutes a first charge over all the assets of the Company.

On May 14, 2007, the demand term credit facility was increased from \$22,000,000 to \$26,000,000 on substantially the same terms, except for covenant amendments, and the term was extended to October 15, 2008.

On September 30, 2007, the Company was in breach of a bank covenant relating to a specific financial ratio. Subsequent to September 30, 2007, the bank amended the covenant at September 30, 2007 and temporarily increased the demand term credit facility by \$4,000,000 to \$30,000,000 until January 14, 2008 at which point it is expected to revert to \$26,000,000. The Company and the bank expect to amend the terms of the facility, following which the Company expects to be in compliance with the amended covenants during Fiscal 2008.

12. CAPITAL STOCK**[a] Authorized**

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no fixed dividends and no par value
Unlimited number of non-cumulative, non-redeemable, non-retractable,
convertible, voting Series A preferred shares with no fixed dividends and no par value

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[b] The following tables summarize the capital stock activity:

	Common shares #	Series A preferred shares #	Warrants #	Stock options #
Balance, September 30, 2005	42,223,730	4,614,681	2,430,460	3,971,266
Pursuant to exercise of stock options [i]	216,330	-	-	(216,330)
Pursuant to conversion of preferred shares [ii]	254,917	(254,917)	-	-
Pursuant to issue of warrants in connection with issue of \$5,000,000 debenture [Note 10 (a)]	-	-	1,000,000	-
Pursuant to issue of warrants in connection with issue of \$7,856,000 in convertible notes [Note 10 (b)]	-	-	3,928,000	-
Pursuant to issue of warrants in connection with obtaining a customer contract	-	-	100,000	-
Pursuant to issue of warrants as partial payment of fees for raising capital	-	-	800,000	-
Balance, September 30, 2006	42,694,977	4,359,764	8,258,460	3,754,936
Pursuant to repayment of long term debt [Note 10]	388,004	-	-	-
Pursuant to expiry of warrants	-	-	(1,322,905)	-
Pursuant to issuance of warrants	-	-	500,000	-
Pursuant to expiry of options	-	-	-	(487,802)
Pursuant to exercise of stock options [i]	784,000	-	-	(784,000)
Pursuant to exercise of warrants [v]	91,430	-	(91,430)	-
Pursuant to issue of warrants in connection with issue of \$2,586,000 in convertible notes [Note 10 (c)]	-	-	1,293,000	-
Issue of stock options	-	-	-	1,775,000
Balance, September 30, 2007	43,958,411	4,359,764	8,637,125	4,258,134

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	Capital stock			Total	Warrants	Contributed surplus
	Common shares	Common shares pledged as security	Series A preferred shares			
	\$	\$	\$			
Balance, September 30, 2005	18,949,647	(842,838)	2,378,045	20,484,854	68,945	973,744
Pursuant to exercise of stock options [i]	66,299	-	-	66,299	-	-
Pursuant to the conversion of preferred shares [ii]	131,364	-	(131,364)	-	-	-
Pursuant to pledging of common shares [iv]	-	(242,000)	-	(242,000)	-	-
Pursuant to issue of warrants in conjunction with the issue of \$5,000,000 debenture (Note 10 a)	-	-	-	-	360,639	-
Pursuant to issue of warrants in conjunction with the issue of \$7,856,000 convertible notes (Note 10 b)	-	-	-	-	911,856	-
Stock-based expense [iii]	-	-	-	-	82,058	108,764
Balance, September 30, 2006	19,147,310	(1,084,838)	2,246,681	20,309,153	1,423,498	1,082,508
Pursuant to repayment of long term debt [Note 10]	258,216	-	-	258,216	-	-
Pursuant to exercise of stock options [i]	220,200	-	-	220,200	-	-
Pursuant to pledging of common shares [iv]	-	(235,620)	-	(235,620)	-	-
Pursuant to exercise of warrants [v]	8,000	-	-	8,000	-	-
Contingent purchase consideration [vi]	(540,990)	-	-	(540,990)	-	-
Pursuant to issue of warrants in connection with issue of \$2,586,000 in convertible notes [Note 10 [c]]	-	-	-	-	166,667	-
Stock-based expense [iii]	-	-	-	-	-	319,078
Effect of change in accounting policy [note 1[b]]	-	-	-	-	(58,840)	-
Balance, September 30, 2007	19,092,736	(1,320,458)	2,246,681	20,018,959	1,531,325	1,401,586

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- [i] During the year ended September 30, 2007, 784,000 stock options [2006 – 216,330] were exercised resulting in cash receipts of \$220,200 [2006 - \$66,299].
- [ii] In April, 2006, 254,917 Series A preferred shares were converted to 254,917 common shares. The Series A preferred shares are convertible at the discretion of the holder at any time into one common share for each preferred share held and are voting.
- [iii] See Note 13, Stock-Based Expense.
- [iv] The Company has advanced funds to key senior employees to acquire shares of the Company. At September 30, 2007, the balance of such loans totaled \$1,320,458 [2006 - \$1,084,838] of which only \$200,000 bears interest at 5% per annum to be repaid September 30, 2009. The remaining loans are non-interest bearing with various terms of repayment. The balances at each year end have been recorded as offsetting amounts to capital stock.
- At September 30, 2007, the market value of the shares held as collateral for the loans was \$1,384,991, based on the year-end closing price.
- [v] During the year the Company recorded the exercise of 91,430 warrants which had been exercised in an earlier period. Proceeds of \$28,500 were recorded in the earlier period, and proceeds of \$8,000 were recorded in the current period.
- [vi] Certain contingent consideration to the vendors of Prolink and Protec became due during the year. The terms of these acquisitions included a guaranteed minimum value of the share consideration of \$2.00 and \$1.20 per share respectively over defined periods as the shares were released from escrow. The Company has paid \$348,900 and has \$192,090 included in accounts payable and accrued liabilities.

[c] Options

The following table summarizes the stock options outstanding and exercisable for the year ended September 30, 2007:

Exercise price	Expiry	Options outstanding				September 30, 2007	Options Exercisable September 30, 2007
		September 30, 2006	Issued During Period	Expired During Period	Exercised During Period		
\$		#	#	#	#	#	
0.30	July, 2007	1,001,802	-	(217,802)	(784,000)	-	-
0.35	February, 2008	316,467	-	-	-	316,467	316,467
0.50	June, 2008	1,000,000	-	-	-	1,000,000	1,000,000
0.71	July, 2008	1,166,667	-	-	-	1,166,667	1,166,667
1.00	November, 2011	-	1,775,000	-	-	1,775,000	1,245,000
1.35	May, 2007	270,000	-	(270,000)	-	-	-
		3,754,936	1,775,000	(487,802)	(784,000)	4,258,134	3,728,134

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[d] Warrants

The following table summarizes the warrant activity for the year ended September 30, 2007:

Exercise price \$	Expiry	Warrants outstanding			September 30, 2007 #	Warrants Exercisable September 30, 2007 #
		September 30, 2006 #	Issued During Period #	Expired During Period #		
0.60	February, 2009	-	1,293,000	-	1,293,000	1,293,000
0.81	November, 2006	175,000	-	(175,000)	-	-
1.00	September 21, 2008	800,000	-	-	800,000	800,000
1.00	October 11, 2008	1,004,000	-	-	1,004,000	1,004,000
1.00	October 11, 2008	-	500,000	-	500,000	166,667
1.00	November 14, 2008	2,396,500	-	-	2,396,500	2,396,500
1.00	December 14, 2008	1,527,500	-	-	1,527,500	1,527,500
1.00	January 9, 2009	100,000	-	-	100,000	100,000
1.00	May, 2009	266,125	-	-	266,125	177,417
1.00	May, 2010	250,000	-	-	250,000	166,667
1.85	January, 2007	355,000	-	(355,000)	-	-
1.88	February, 2007	283,335	-	(191,905)	-	-
1.96	January, 2007	250,000	-	(250,000)	-	-
2.09	October, 2006	226,000	-	(226,000)	-	-
2.09	March, 2008	500,000	-	-	500,000	500,000
2.11	November, 2006	125,000	-	(125,000)	-	-
		8,258,460	1,793,000	(1,322,905)	8,637,125	8,131,751

[e] Loss per share

The following table details the weighted average number of common shares outstanding for each of the years ended September 30:

	2007 #	2006 #
Basic	42,888,825	42,347,371
Diluted	42,888,825	42,347,371

As a result of the net loss for the year ended September 30, 2007, the following potentially dilutive securities have not been included in the calculation of diluted loss per share because to do so would have been anti-dilutive:

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	2007	2006
	#	#
Stock options and purchase warrants	3,776,134	3,484,936
Sirius acquisition convertible note obligation	-	41,667
Brainhunter.com convertible acquisition obligation	285,951	654,831
	4,062,085	4,181,434

[f] Equity component of convertible note obligation

	2007	2006
	\$	\$
Beginning balance	1,607,726	53,040
Vision2Hire convertible notes	-	-
AJJA convertible notes	-	877,427
8% convertible notes	-	677,259
10% convertible notes	343,559	-
Ending balance	1,951,285	1,607,726

13. STOCK-BASED EXPENSE

Key valuation assumptions differ for each tranche issued and include estimated terms from two to four years, risk-free interest rates from 2.45% to 4.00%, and stock volatilities from 30.00% to 58.91% based on equivalent-term trading histories. The charge to earnings for the year ended September 30, 2007 for stock options and warrants was \$319,078 [2006 - \$118,801].

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The net change in non-cash of working capital items consists of the following:

	2007	2006
	\$	\$
Accounts receivable	(4,864,276)	(7,751,038)
Deposits and prepaid expenses	52,694	(82,152)
Accounts payable and accrued liabilities	296,817	6,625,523
Deferred revenue	(144,190)	(160,944)
	(4,658,955)	(1,368,611)

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15. FINANCIAL INSTRUMENTS

[a] Fair value

The fair values of the Company's current assets and current liabilities approximate their carrying values due to their short-term nature. The fair market value of long-term debt approximates carrying value based on the Company's current borrowing rates for similar types of borrowing arrangements.

[b] Credit risk

The Company manages its credit risk with respect to accounts receivable primarily by dealing with creditworthy customers. Substantially all of the Company's revenue and the resulting accounts receivable are from large companies and governmental agencies.

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the year, 37.2% of revenues related to various Federal Government of Canada agencies and departments [2006 – 45.8%].

At year end, the accounts receivable from all Federal Government of Canada were 31% of the Company's total accounts receivable [2006 - 32%].

[c] Foreign currency rate risk

The Company is exposed to risk due to fluctuations in the exchange rate of the U.S. dollar in relation to the Canadian dollar. During the year the Company recorded a \$202,744 [2006 - \$162,605] foreign exchange loss.

[d] Interest rate risk

The Company is exposed to interest rate risk in the event of fluctuation of the Canadian dollar prime rate on the term bank credit facility.

16. SEGMENT REPORTING

Management determined that substantially all the Company's operations are in one business segment, that of human capital management, and hence the Company reports all results as one segment.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.