

Consolidated Financial Statements (Unaudited)

Brainhunter Inc.

December 31, 2007

Brainhunter Inc.
Consolidated Balance Sheets (Unaudited)

As at	December 31, 2007 \$	September 30, 2007 \$
ASSETS		
Current		
Accounts receivable	45,784,044	44,545,035
Deposits and prepaid expenses	805,361	558,275
Future income tax asset	1,419,557	1,419,557
Total current assets	48,008,962	46,522,867
Capital assets, net <i>[note 3]</i>	6,270,651	6,136,648
Other assets	552,706	524,801
Investment tax credits recoverable <i>[note 2]</i>	1,373,122	1,373,122
Intangible assets, net of amortization <i>[note 5]</i>	7,729,386	8,546,550
Goodwill	20,232,800	20,232,800
Due from related parties <i>[note 4]</i>	443,483	443,483
	84,611,110	83,780,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	22,399,138	23,958,904
Current portion of deferred lease inducement	102,995	68,380
Current portion of provision for lease restructuring	249,158	249,158
Current portion of long-term debt <i>[notes 4 and 7]</i>	14,422,379	3,229,774
Deferred revenue	302,344	272,524
Total current liabilities	37,476,014	27,778,740
Deferred lease inducement	729,217	538,397
Provision for lease restructuring	79,182	140,748
Long-term debt <i>[notes 4 and 7]</i>	2,486,297	14,758,954
Term bank facility <i>[note 8]</i>	28,890,105	24,484,009
Long-term future income tax liabilities	2,797,733	3,013,908
Total long-term liabilities	34,982,534	42,936,016
Commitments and contingencies <i>[note 6]</i>		
Shareholders' equity		
Capital stock <i>[note 9]</i>	20,054,458	20,018,959
Warrants <i>[note 9]</i>	1,531,325	1,531,325
Contributed surplus <i>[notes 9 and 10]</i>	1,446,314	1,401,586
Equity component of convertible note obligation <i>[note 9]</i>	1,951,285	1,951,285
Deficit	(12,830,820)	(11,837,640)
Total shareholders' equity	12,152,562	13,065,515
	84,611,110	83,780,271

See accompanying notes

On behalf of the Board:

John McKimm
Director

John Gillies
Director

Brainhunter Inc.
Consolidated Statements of Operations and Loss (Unaudited)

Three months ended December 31	2007	2006
	\$	\$
Revenue	59,130,124	54,730,398
Cost of revenues	50,145,475	46,367,778
Gross profit	8,984,649	8,362,620
Expenses		
Other staffing costs	5,342,981	4,530,733
Selling, general and administrative	2,340,440	1,824,701
	7,683,421	6,355,434
Income before interest, amortization and income taxes	1,301,228	2,007,186
Interest expense	876,212	753,425
Interest expense - accreted <i>[notes 1[b] and 7]</i>	335,704	312,529
Amortization of capital assets	481,503	271,206
Amortization of intangibles	817,164	975,329
Amortization of deferred financing costs <i>[note 1[b]]</i>	-	313,719
Total	2,510,583	2,626,208
Loss before income taxes	(1,209,355)	(619,022)
Recovery of income taxes	(216,175)	(357,704)
Net loss for the period	(993,180)	(261,318)
Loss per share <i>[note 11[e]]</i>		
Basic and diluted	(\$0.02)	(\$0.01)

See accompanying notes

Brainhunter Inc.
Consolidated Statements of Deficit (Unaudited)

Period ended	December 31, 2007	September 30, 2007
	\$	\$
Deficit, beginning of period	(11,837,640)	(7,845,028)
Adjustment due to change in accounting policy <i>[note 1[b]]</i>	-	(1,042,005)
Adjusted deficit beginning of period	(11,837,640)	(8,887,033)
Net loss for the year	-	(2,950,607)
Net loss for the three month period	(993,180)	-
Deficit, end of period	(12,830,820)	(11,837,640)

See accompanying notes

Brainhunter Inc.
Consolidated Statements of Cash Flows (Unaudited)

Three months ended December 31	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(993,180)	(261,318)
Add (deduct) items not affecting cash		
Future income taxes	(216,175)	(357,704)
Loss on disposal of fixed assets	6,485	-
Amortization of deferred financing costs	-	313,719
Accretion of interest	335,704	312,529
Amortization of deferred lease inducement and provisions	(19,757)	(10,736)
Amortization of provision for lease restructuring	(61,566)	(67,413)
Stock-based compensation expense	44,729	12,959
Amortization of capital assets	481,503	271,206
Amortization of intangible assets	817,164	975,329
	394,907	1,188,571
Net change in non-cash working capital items <i>[note 11]</i>	(3,016,041)	(4,735,858)
Cash used in operating activities	(2,621,134)	(3,547,287)
FINANCING ACTIVITIES		
Issuance of shares on repayment of debt <i>[note 9]</i>	-	225,188
Exercise of common share options <i>[note 9]</i>	35,500	-
Increase in deferred lease inducement	-	144,863
Repayments from (loans to) related parties	-	(250,000)
Proceeds from term bank credit facility	4,406,096	4,508,818
Repayment of long-term debt <i>[note 7]</i>	(1,415,756)	(476,684)
Cash provided by financing activities	3,025,840	4,152,185
INVESTING ACTIVITIES		
Additions to capital assets	(376,801)	(604,898)
Increase (decrease) in long term investments	(27,904)	-
Cash used in investing activities	(404,706)	(604,898)
Supplemental cash flow information		
Interest paid	649,427	596,305

See accompanying notes

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 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 changed its accounting policy, effective October 1, 2006, 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. 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 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 statement 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.

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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.

[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.

[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

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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 statement of operations.

[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.

[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 period 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 period.

[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 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. INVESTMENT TAX CREDITS RECOVERABLE

Investment tax credits consist of the following:

As at	December 31,	September 30,
	2007	2007
	\$	\$
Investment tax credits recoverable	1,373,122	1,373,122
Income taxes (payable) recoverable	-	-
	1,373,122	1,373,122
Less current portion	-	-
	1,373,122	1,373,122

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3. CAPITAL ASSETS

Capital assets consist of the following:

	<u>December 31, 2007</u>		<u>September 30, 2007</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Furniture and office equipment	2,175,566	1,561,260	2,176,467	1,549,264
Computer equipment	5,170,382	4,289,233	5,030,877	4,226,199
Computer software	1,558,191	1,408,805	1,528,871	1,364,074
Developed software	6,111,623	2,841,208	6,111,623	2,537,304
Leasehold improvements	1,689,145	333,750	1,263,312	297,661
	16,704,907	10,434,256	16,111,150	9,974,502
Less accumulated amortization	10,434,256		9,974,502	
	6,270,651		6,136,648	

4. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following:

[a] Due from related parties:

	<u>December 31, 2007</u>	<u>September 30, 2007</u>
	\$	\$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms.	175,150	175,150
Loan to the President of the Company, fully collateralized by holding \$358,000 of Convertible Notes issued by the Company in 2005 as part of a financing of \$7,856,000 as described in Note 10. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes.	268,333	268,333
	443,483	443,483

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.

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>December 31, 2007</u>		<u>September 30, 2007</u>	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Contracts	2,176,339	2,156,839	2,176,339	2,123,345
Non-competition agreements	685,000	8,898,114	685,000	505,000
Customer relationships	16,370,000	391,764	16,370,000	8,056,444
Other	391,764	447,000	391,764	391,764
	19,623,103	11,893,717	19,623,103	11,076,553
Less accumulated amortization	11,893,717		11,076,553	
	7,729,386		8,546,550	

6. 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 remaining nine months of 2008, next four years and thereafter is as follows:

	\$'000
2008	1,397
2009	1,659
2010	1,467
2011	1,459
2012	1,480
Thereafter	3,604
	11,066

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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7. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2007	September 30, 2007
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75,000	76,894	76,894
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	200,166
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
V2H acquisition convertible note obligation of \$446,054, non-interest bearing repayable in equal quarterly principal payments of 1/8 of the principal 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
Present value of Promethean \$49,307 acquisition obligation of 36 interest-only monthly payments of \$1,500, discounted at 0.5% per month	10,448	10,294
AJJA acquisition convertible note obligation of \$4,000,000, bearing interest tied to the 90-day treasury bill rate, repayable in quarterly \$650,000 plus interest beginning December 31, 2006 and \$675,500 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	1,411,360	1,995,591
AJJA acquisition vendor take-back loan of \$2,200,000, non-interest bearing, repayable \$36,667 monthly for 60 months ending October 2010.	878,875	955,938
iGate acquisition promissory note of \$500,000 with a term of two years, repayable at maturity only, with interest-only quarterly payment at a rate tied to the 90-day treasury bill rate	-	493,738
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	5,087,169	5,057,116
Convertible term notes of \$7,856,000 with a term of three years, repayable at maturity only, with monthly payments of interest		

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only 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

7,289,508 7,157,082

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.

1,954,256 1,926,479

	16,908,676	17,988,728
Less: current portion	14,422,379	3,229,774
	2,486,297	14,758,954

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	2,029
2009	14,771
2010 and subsequent	109
	16,909

Included in interest expense for the period is \$397,148 relating to long-term debt [2007 - \$312,941]. All accreted interest expense of \$335,704 relates to long term debt [2007 - \$312,529].

[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%.

[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%

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[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] 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%

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

On December 31, 2007, the Company was in breach of bank covenants relating to specific financial ratios tied to EBITDA. The terms of the demand credit facility will be reviewed in the second quarter of Fiscal 2008 as part of the Bank's annual review of the demand credit facility, and the Company expects the term to be extended an additional year.

	December 31, 2007	September 30, 2007
	\$	\$
Outstanding cheques net of cash on hand	(959,592)	(479,893)
Bank operating loan	(27,930,513)	(24,004,116)
	(28,890,105)	(24,484,009)

9. 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, 2007	43,958,411	4,359,764	8,637,125	4,258,134
Pursuant to expiry of warrants	-	-	(15,000)	-
Pursuant to expiry of options	-	-	-	(325,000)
Pursuant to exercise of stock options	50,000	-	-	(50,000)
Issue of stock options	-	-	-	100,000
Balance, December 31, 2007	44,008,411	4,359,764	8,622,125	3,983,134

	Capital stock					
	Common shares	Common shares pledged as security	Series A preferred shares	Total	Warrants	Contributed surplus
	\$	\$	\$	\$	\$	\$
Balance, September 30, 2007	19,092,736	(1,320,458)	2,246,681	20,018,959	1,531,325	1,401,586
Pursuant to exercise of stock options	35,500	-	-	35,500	-	-
Stock-based expense	-	-	-	-	-	44,728
Balance, December 31, 2007	19,128,236	(1,320,458)	2,246,681	20,054,459	1,531,325	1,446,314

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[i] During the period ended December 31, 2007, 50,000 stock options [2006 – Nil] were exercised resulting in cash receipts of \$35,500 [2006 - Nil].

[c] Options

The following table summarizes the stock options outstanding and exercisable for the period ended December 31, 2007:

Exercise price	Expiry	Options outstanding				Options	
		Outstanding	Issued	Expired	Exercised	Outstanding	Exercisable
		September 30 2007	During Period	During Period	During Period	December 31 2007	December 31 2007
\$		#	#	#	#	#	#
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	1,166,666	-	100,000	50,000	1,016,666	1,016,666
1.00	November, 2011	1,775,000	-	225,000	-	1,550,000	1,181,667
1.00	December, 2012	-	100,000	-	-	100,000	-
0.35- 1.00		4,258,133	100,000	325,000	50,000	3,983,133	3,514,800

[d] Warrants

The following table summarizes the warrant activity for the year ended December 31, 2007:

Exercise price	Expiry	Warrants outstanding				Warrants	
		September 30, 2007	Issued During Period	Exercised During Period	Expired During Period	December 31, 2007	Exercisable December 31, 2007
		#	#	#	#	#	#
0.60	February 2, 2009	1,293,000	-	-	-	1,293,000	1,293,000
1.00	September 31, 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	-	-	15,000	485,000	323,333
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	221,771
1.00	May, 2010	250,000	-	-	-	250,000	166,667
2.09	March, 2008	500,000	-	-	-	500,000	500,000
0.60 - 2.09		8,637,125	-	-	15,000	8,622,125	8,332,771

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[e] Loss per share

The following table details the weighted average number of common shares outstanding for each of the periods ended December 31:

Three months ended December 31	2007	2006
	#	#
Basic	44,008,411	42,730,747
Diluted	44,008,411	42,730,747

[f] Equity component of convertible note obligation

	December 31	September 30
	2007	2007
	\$	\$
Beginning balance	1,951,285	1,607,726
10% convertible notes	-	343,559
Ending balance	1,951,285	1,951,285

10. STOCK-BASED EXPENSE

Key valuation assumptions differ for each tranche issued and include estimated terms from 2 to 4 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 period ended December 31, 2007 for stock options and warrants was \$44,728 [2006 - \$12,959].

11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

Three months ended December 31	2007	2006
	\$	\$
Accounts receivable	(1,239,009)	(2,158,611)
Deposits and prepaid expenses	(247,086)	(167,934)
Accounts payable and accrued liabilities	(1,559,766)	(2,532,069)
Deferred revenue	29,820	122,756
	(3,016,041)	(4,735,858)

12. 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 period ended December 31, 2007, 33% of revenues related to various Federal Government of Canada agencies and departments [2006 - 39%].

At period end, the accounts receivable from all Federal Government of Canada were 29% of the Company's total accounts receivable [2006 - 35%].

[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. In the period ending December 31, 2007 the Company recorded a foreign exchange loss of \$110,302 [2006 - \$86,792 gain].

[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 facility.

13. 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.

14. SUBSEQUENT EVENT

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