

Consolidated Financial Statements

Brainhunter Inc.

[unaudited]

December 31, 2008

Brainhunter Inc.
CONSOLIDATED BALANCE SHEETS

[unaudited]

[in thousands]

[Going Concern – see note 1]

As at	December 31, 2008 \$	September 30, 2008 \$
ASSETS [notes 6 and 7]		
Current		
Accounts receivable [note 12[b]]	36,253	35,876
Prepaid expenses	1,035	332
Total current assets	37,288	36,208
Property, plant and equipment, net [note 2]	2,934	3,032
Deposits	379	366
Other assets	464	471
Intangible assets, net [note 4]	6,679	7,718
Goodwill	6,571	6,571
Due from related parties [note 3]	1,059	853
	55,374	55,219
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current		
Accounts payable and accrued liabilities	19,005	21,737
Current portion of deferred lease inducement	103	103
Current portion of provision for lease restructuring	48	91
Current portion of long-term debt [note 6]	16,319	16,144
Term bank credit facility [notes 6 and 7]	19,430	15,409
Deferred revenue	285	337
Total current liabilities	55,190	53,821
Deferred lease inducement	608	637
Long-term debt [note 6]	262	339
Long-term future income tax liabilities	74	74
Total liabilities	56,134	54,871
Commitments and contingencies [note 5]		
Shareholders' (deficit) equity		
Capital stock [note 8]	19,387	19,472
Warrants [note 8]	1,531	1,531
Contributed surplus [note 8]	1,622	1,567
Equity component of convertible note obligation	1,951	1,951
Deficit	(25,251)	(24,173)
Total shareholders' (deficit) equity	(760)	348
	55,374	55,219

See accompanying notes

On behalf of the Board:

John McKimm
 Director

John Gillies
 Director

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND PROFIT (LOSS)

[unaudited]

[in thousands, except per share information]

Three months ended December 31,	2008	2007
	\$	\$
Revenue	54,220	58,393
Cost of revenue	46,475	49,732
Gross profit	7,745	8,661
Expenses		
Other staffing costs	5,092	5,087
Selling, general and administrative	1,587	2,314
	6,679	7,401
Income before the following	1,066	1,260
Interest expense	740	876
Interest expense - accreted <i>[note 6]</i>	317	335
Amortization		
Property, plant and equipment	174	178
Intangible assets	1,038	1,121
	2,269	2,510
Loss before income taxes	(1,203)	(1,250)
Recovery of future income taxes	—	(216)
Net loss from continuing operations	(1,203)	(1,034)
Discontinued Operations <i>[note 11]</i>		
Income from discontinued operations	—	41
Gain from disposal of discontinued operations	125	—
Net profit from discontinued operations	125	41
Net loss for the period	(1,078)	(993)
Deficit, beginning of year	(24,173)	(11,838)
Deficit, end of year	(25,251)	(12,831)
Loss per share <i>[note 8[e]]</i>		
Continuing Operations - Basic and diluted	(0.03)	(0.02)
Discontinued Operations - Basic and diluted	—	—

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF DEFICIT
[unaudited]
[in thousands]

Three months ended December 31	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(1,203)	(1,034)
Add (deduct) items not involving cash		
Future income taxes	—	(216)
Loss on disposal of fixed assets	—	6
Accretion of interest	317	336
Amortization of deferred lease inducement and provisions	(28)	(20)
Amortization of provision for lease restructuring	(43)	(62)
Stock-based compensation expense	7	45
Amortization of property, plant and equipment	174	178
Amortization of intangible assets	1,038	1,121
	262	354
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	(3,877)	(3,016)
Cash used in operating activities	(3,615)	(2,662)
FINANCING ACTIVITIES		
Exercise of common share options <i>[note 9[b]]</i>	—	36
Loans to related parties <i>[note 3]</i>	(206)	—
Purchase of common shares	(37)	—
Proceeds from (repayment of) term bank credit facility	4,021	4,406
Repayment of long-term debt <i>[note 6]</i>	(219)	(1,416)
Cash provided by financing activities	3,559	3,026
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(76)	(377)
Increase in other assets	7	(28)
Cash used in investing activities	(69)	(405)
Net cash flows used for continuing operations	(125)	(41)
Cash provided from discontinued operations		
Cash provided by operating activities of discontinued operations	—	41
Cash provided from the disposal of discontinued operations	125	—
Net cash flows provided from discontinued operations	125	41
Net increase in cash during the period	—	—
Cash, beginning of year	—	—
Cash, end of period	—	—
Supplemental cash flow information		
Interest paid	672	649

See accompanying notes

[unaudited]

December 31, 2008

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of presentation

These consolidated financial statements 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 intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis, which assumes that the future operations will allow for the realization of assets and discharge of liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has incurred losses from continuing operations over the past several years and as at December 31, 2008 had a working capital deficiency. The Company was in breach of its financial covenants in its \$26 million Term Facility Agreement ("Term Facility") with its bank as at December 31, 2008. The Term Facility expired October 15, 2008, but the bank has agreed to extend the Term Facility to September 30, 2009 subject to a Standstill Agreement ("Agreement") executed April 3, 2009, as described in Note 17. In addition, as of April 3, 2009, the Company continues to negotiate with its convertible lenders in order to refinance \$7,756 due December 2008 and \$2,536 due February 2009. The Company is committed to pursuing a course of action leading to a privatization of the Company or a refinancing resulting in the bank and other debtholders being repaid. The Company's ability to continue as a going concern is dependent upon the Company's ability to retain the ongoing support of its bank and execute the privatization or refinancing and generate profitable operations. The outcome of these matters is uncertain.

There are no assurances that the bank or other debtholders will not exercise its rights and remedies should the Company fail to meet its covenant obligations or other conditions. If the bank or other debtholders exercise its rights there can be no assurances that a similar replacement facility or other refinancing can be obtained. These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern and such adjustments could be material.

[b] Change in accounting policy

General Standards on Financial Statement Presentation

Effective fiscal 2009, the Company adopted Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1400 "General Standards on Financial Statement Presentation". The adoption of the new standards resulted in additional disclosure with regard to assessing an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. These disclosures are included in Note 1[a] to the financial statements

Goodwill and Intangible Assets

Effective fiscal 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062 "Goodwill and Intangible Assets", and Section 3450 "Research and Development Costs", establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. This new standard had no impact on the Company's consolidated financial statements for the quarter ended December 31, 2008.

[c] Recently issued accounting pronouncements

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. While the Company has begun evaluating this new framework and assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January 2009, the CICA issued the new handbook Section 1582, “Business Combinations,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company’s financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of the adoption of this pronouncement on its consolidated financial statements, the impact will be limited to any future acquisitions beginning in fiscal 2011.

In January 2009, the CICA issued the new handbook Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-Controlling Interests,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued the Emerging Issues Committee (EIC) Abstract EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities,” effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, “Financial Instruments—Recognition and Measurement.” It states that an entity’s own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company will adopt this abstract during the second quarter of the 2009 fiscal year. The Company is currently considering the impact of adopting EIC-173 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

Brainhunter Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

[d] 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.

[e] Property, plant and equipment

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%
Leasehold improvements	Straight-line over the lease term

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

[f] 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 on June 30, 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 statement of operations and deficit.

[g] Intangible assets

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

[h] 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.

[i] 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.

[j] Research and development

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

[k] 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.

[l] Foreign currency translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

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.

[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.

[p] Earnings per share

Earnings-per-share amounts are computed independently for loss from continuing operations and earnings from discontinued operations.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Shares pledged as security are not included in the calculation of the weighted average number of common shares outstanding [note 9[b]].

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

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

2. PROPERTY, PLANT AND EQUIPMENT

Capital assets consist of the following:

	December 31, 2008		September 30, 2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and office equipment	2,205	1,665	2,205	1,637
Computer equipment	5,672	4,634	5,600	4,553
Computer software	1,628	1,542	1,624	1,517
Leasehold improvements	1,733	463	1,733	423
	11,238	8,304	11,162	8,130
Less accumulated amortization	8,304		8,130	
	2,934		3,032	

3. RELATED PARTY TRANSACTIONS

[a] Due from related parties:

	December 31, 2008	September 30, 2008
	\$	\$
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	330	175
Loans to the Chairman of the Company, fully collateralized by holding \$410 of Convertible Notes issued by the Company in 2005 as part of a financing of \$7,856 as described in Note 6. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes. The term of the loan has been extended co-incident with that of the Term Notes as described in Note 17.	410	410
Loan to the President of the Company, fully collateralized by convertible notes issued by the Company in 2005 as part of a financing of \$7,856 as described in Note 6. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes. The term of the loan has been extended co-incident with that of the Term Notes as described in Note 17.	319	268
	1,059	853

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 \$3,516 (2008 - \$3,616) 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, of which 653,000 remained outstanding at December 31, 2008. 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****(Expressed in thousands of dollars, except per share information)**

[unaudited]

December 31, 2008

4. INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2008		September 30, 2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Contracts	2,176	2,176	2,176	2,176
Non-competition agreements	585	585	685	573
Customer relationships	16,470	11,846	16,370	11,123
Developed software	6,112	4,057	6,112	3,753
Other	392	392	392	392
	25,735	19,056	25,735	18,017
Less accumulated amortization	19,056		18,017	
	6,679		7,718	

5. 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 2009, next four years and thereafter is as follows:

	\$
2009	1,155
2010	1,467
2011	1,459
2012	1,480
2013	1,459
Thereafter	2,145
	9,165

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.

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

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

6. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2008	September 30, 2008
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75 due March 10, 2006. The amount is payable on demand and is currently classified as a current liability.	77	77
Acquisition obligation of the Company to pay \$458 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. The amount is payable on demand and is currently classified as a current liability.	200	200
AJJA acquisition vendor take-back loan of \$2,200 non-interest bearing, repayable \$37 monthly for 60 months with the final payment due October 31, 2010	570	647
Debenture of \$5,000 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>notes 6 [a] and 17</i>)	5,442	5,368
Convertible term notes of \$7,856 with a term of three years, repayable at maturity in November 2008, with quarterly 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 6[b] and 17</i>)	7,756	7,726
Convertible term notes of \$2,586 due February 2, 2009, repayable at maturity on February 28, 2009 with quarterly payments of interest 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 (<i>notes 3[b], 6[c] and 17</i>)	2,536	2,465
	16,581	16,483
Less: current portion	16,319	16,144
	262	339

Repayment of Long Term Debt

The planned repayment of long term debt is as follows. Of the amount repayable in Fiscal 2009, \$200 is repayable in common shares of the Company, at the option of the debt-holder:

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**

[unaudited]

December 31, 2008

	\$
2009	16,319
2010	262
	16,581

Included in interest expense for the three month period is \$406 relating to long-term debt [2008 - \$397]. All accreted interest expense of \$317 relates to long term debt [2008 - \$335].

[a] On November 16, 2005, the Company issued a debenture of \$5,000, originally repayable December 15, 2008, paying interest only during the term on a quarterly basis at 12% per annum. As described in Note 17, subsequent to year end, the Company renegotiated the maturity date to September 30, 2009. The debenture is collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank. 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%. These warrants expired prior to December 31, 2008. The interest guarantee is considered to be an embedded derivative and has been valued at \$442 [2008 - \$413] and is included in the outstanding obligation at December 31, 2008.

[b] During fiscal 2006, the Company issued convertible term notes of \$7,856 originally maturing November 16, 2008, paying interest quarterly only during the term at 8% per annum. Subsequent to year end, the Company was unable to repay this obligation on the original maturity date and is currently in the process of refinancing this obligation as described in Note 17. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank 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. These warrants expired prior to December 31, 2008. 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 with a term of two years, originally maturing in February 2009. Subsequent to year end, the Company was unable to repay this obligation on the original maturity date and is currently in the process of refinancing this obligation as described in Note 17. 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 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. These warrants expired prior to December 31, 2008. 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. 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%

Included in accounts payable and accrued liabilities is \$343 unpaid interest related to this note.

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**

[unaudited]

December 31, 2008

7. TERM BANK FACILITY

At December 31, 2008, the Company had a revolving demand credit facility of \$26 million from a Schedule "A" bank, bearing interest at prime plus 0.5% to 2.0%, depending on a specific bank covenant ratio, and which was collateralized by a general security agreement that constituted a first charge over all the assets of the Company. The credit facility expired on October 15, 2008, and is due on demand subject to the finalization of the Standstill Agreement as described in Note 17 and is classified as a current obligation.

Subsequent to the balance sheet date, the facility was extended to September 30, 2009, as part of a new financing arrangement as described in Note 17.

	December 31,	September 30,
	2008	2008
	\$	\$
Outstanding cheques net of cash on hand	(657)	(642)
Bank operating loan	(18,773)	(14,767)
	(19,430)	(15,409)

8. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

[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 the conversion of preferred shares to common shares [iii]	4,359,764	(4,359,764)	—	—
Pursuant to expiry of options	—	—	—	(2,658,134)
Pursuant to exercise of options [i]	50,000	—	—	(50,000)
Pursuant to the issuance of stock options	—	—	—	625,000
Pursuant to expiry of warrants	—	—	(1,315,000)	—
Pursuant to normal course issuer bid [iv]	(1,034,000)	—	—	—
Balance, September 30, 2008	47,334,175	—	7,322,125	2,175,000
Pursuant to expiry of warrants	—	—	(5,413,000)	—
Pursuant to normal course issuer bid [iv]	(192,000)	—	—	—
Balance, December 31, 2008	47,142,175	—	1,909,125	2,175,000

Capital stock

	Common shares \$	Common shares pledged as security [v] \$	Series A Preferred shares \$	Total \$	Warrants \$	Contributed surplus \$
Balance, September 30, 2007	19,092	(1,320)	2,247	20,019	1,531	1,402
Pursuant to the conversion of preferred shares [iii]	2,247	—	(2,247)	—	—	—
Pursuant to exercise of stock options [i]	36	—	—	36	—	—
Contingent purchase consideration [ii]	(135)	—	—	(135)	—	—
Pursuant to normal course issuer bid [iv]	(448)	—	—	(448)	—	56
Stock-based expense [vi]	—	—	—	—	—	109
Balance, September 30, 2008	20,792	(1,320)	—	19,472	1,531	1,567
Pursuant to normal course issuer bid [iv]	(85)	—	—	(85)	—	48
Stock-based expense [vi]	—	—	—	—	—	7
Balance, December 31, 2008	20,707	(1,320)	—	19,387	1,531	1,622

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**

[unaudited]

December 31, 2008

- [i] During the year ended September 30, 2008, 50,000 stock options were exercised resulting in cash receipts of \$36.
- [ii] Certain contingent considerations to the vendors of Prolink and Protec became due in the prior 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. \$135 was paid in the prior year.
- [iii] In June 2008, 3,931,193 Series A preferred shares were converted to 3,931,193 common shares. In August 2008, 428,571 Series A preferred shares were converted to 428,571 common shares.
- [iv] In April, 2008, the Company commenced a Normal Course Issuer Bid (“NCIB”) to purchase for cancellation up to 2,197,921 of its common shares, approximately 5% of the common shares issued and outstanding as of March 31, 2008. For the period ended December 31, 2008, the Company had purchased for cancellation 192,000 common shares for an aggregate purchase price of \$37, of which \$85 has been charged to capital stock and \$48 to contributed surplus. For the year ended September 30, 2008, the Company had purchased for cancellation 1,034,000 common shares for an aggregate purchase price of \$392, of which \$448 has been charged to capital stock and \$56 to contributed surplus. The NCIB will expire on April 3, 2009.
- [v] The Company has advanced funds to key senior employees to acquire shares of the Company. At December 31, 2008, the balance of such loans totaled \$1,320 of which only \$200 bears interest at 5% per annum to be paid September 30, 2009. The remaining loans are non-interest bearing with various terms of repayment. The balances at each period end have been recorded as offsetting amounts to capital stock.
- [vi] See note 9, stock-based expense.

[c] Options

The following table summarizes the stock options outstanding and exercisable for the period ended December 31, 2008:

Exercise price	Expiry	Options outstanding				December 31, 2008	Options Exercisable December 31, 2008
		September 30, 2008	Issued During Period	Expired During Period	Exercised During Period		
\$		#	#	#	#	#	
0.45	March, 2013	275,000	—	—	—	275,000	200,000
0.80	July, 2009	250,000	—	—	—	250,000	250,000
0.80	December, 2012	100,000	—	—	—	100,000	33,333
1.00	November, 2011	1,550,000	—	—	—	1,550,000	1,433,333
		2,175,000	—	—	—	2,175,000	1,916,666

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**

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[d] Warrants

The following table summarizes the warrant activity for the period ended December 31, 2008:

Exercise price	Expiry	Warrants outstanding				December 31, 2008	Warrants Exercisable December 31, 2008
		September 30, 2008	Issued During Period	Exercised During Period	Expired During Period		
\$		#	#	#	#	#	
0.60	February 2, 2009	1,293,000	—	—	—	1,293,000	1,293,000
1.00	October 11, 2008	1,004,000	—	—	(1,004,000)	—	—
1.00	October 11, 2008	485,000	—	—	(485,000)	—	—
1.00	November 14, 2008	2,396,500	—	—	(2,396,500)	—	—
1.00	December 14, 2008	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	266,125
1.00	May, 2010	250,000	—	—	—	250,000	250,000
		7,322,125	—	—	(5,413,000)	1,909,125	1,909,125

[e] Loss per share

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

	2008	2007
	#	#
Basic	45,386,334	44,008,411
Diluted	45,386,334	44,324,878

9. 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 period ended December 31, 2008 for stock options and warrants was \$7 [2008 - \$13].

Brainhunter Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**

[unaudited]

December 31, 2008

10. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

Three months ended December 31	2008	2007
	\$	\$
Accounts receivable	(377)	(1,239)
Deposits and prepaid expenses	(716)	(247)
Accounts payable and accrued liabilities	(2,732)	(1,560)
Deferred revenue	(52)	30
	(3,877)	(3,016)

11. DISCONTINUED OPERATIONS

[a] On February 6, 2008, the Company executed several agreements (“Agreements”) to sell various components which comprised its North American Careersite Business (“Business”) to Workopolis for a total consideration of \$10,000 cash (“Consideration”) payable on meeting certain transition milestones specific to each agreement. The Business consisted of the existing client activity and a perpetual licence to use the Brainhunter Careersite technology in Canada and the United States. As part of the agreements, also executed were a non-compete agreement, a one-year technology support agreement and a transition services agreement. In addition, the Company entered into a software development agreement with Workopolis for separate consideration.

Pursuant to the Agreements, the Company received on March 3, 2008 the amount of \$7,500 less closing adjustments of \$7 for a net consideration of \$7,493. Further, pursuant to the Agreements, the Company received on April 4, 2008 the amount of \$2,000.

Pursuant to the Agreements, the remaining \$500 of the Consideration are being paid to the Company at the rate of \$125 per quarter, as agreed quarterly transition milestones are achieved. In the period ended December 31, 2008, the Company received \$125 for achieving the 3rd milestones, aggregated to a total of \$375.

[b] The Company’s results of operations related to discontinued operations for the period ended December 31, 2008 and 2007 are shown below:

	December 31, 2008	December 31, 2007
	\$	\$
Revenue	—	737
Costs and expenses	—	414
	—	323
Sales and marketing	—	256
General and administrative	—	26
Income before gain on disposition	—	41
Gain on disposition	125	—
Income before income taxes	125	41
Income tax expense	—	—
Net income	125	41

Assets and liabilities of discontinued operations were as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2008

	December 31, 2008	December 31, 2007
	\$	\$
Accounts receivable	—	129
Accounts payable and accrued liabilities	—	196

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**[a] Categories of financial assets and liabilities**

Upon adoption of CICA Handbook Section 3855, 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 Company had no financial instruments classified as available-for-sale, held-for-trading or held-to-maturity during the period ended December 31, 2008.

The fair values of the Company's current assets and accounts payable and accrued 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

Credit risk arises from exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counter parties, taking into account their financial position, past experience and other factors. The Company manages its credit risk with respect to accounts receivable primarily by dealing with credit worthy 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, 2008, 27% [2008 – 33%] of revenue related to various Federal Government of Canada agencies and departments.

At December 31, 2008, the accounts receivable from all Federal Government of Canada were 28% of the Company's total accounts receivable [2008 - 29%].

The following table sets out details of the age of accounts receivable that are outstanding and related allowance for doubtful accounts:

	December 31, 2008
	\$
Accrued but not invoiced trade receivables	2,010
Invoiced receivables within normal payment terms	33,055
Invoiced receivables past normal payment terms but not impaired	698
General receivables	870
Allowance for doubtful accounts	(380)
Total accounts receivable, net	36,253

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2008

[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. The objective of the Company's foreign exchange risk management is to minimize potential adverse effect on the Company's financial statements. In the three month period ending December 31, 2008 the Company recorded a foreign exchange gain of \$351 [2008 - \$110 loss]. Increase in the value of the Canadian dollar can reduce net earnings and declines can result in increased earnings, a +/- 5% change in the key foreign currencies would, everything else being equal, have had the following effect on the Company's reported net loss for the three months ended December 31, 2008 of approximately +/- \$51.

[d] Interest rate risk

The objective of the Company's interest rate management is to minimize the volatility of the Company's earnings. The Company is exposed to interest rate risk in the event of fluctuation of the Canadian dollar prime rate on the term bank facility.

At December 31, 2008, the total bank facility outstanding was \$19,430 which is subject to movements in floating interest rates. A +/- 1% change in interest rates would, everything else being equal, have an effect on the Company's net loss for the three months ended December 31, 2008 of approximately +/- \$49.

[e] Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point of time. The nature of the Company's business requires it to have access to cash to fund the payments to contractors until the related invoices to the Company's clients can be collected. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining relationships with Schedule "A" banks and through the availability of funding from committed credit facilities.

The contractual maturities of the Company's financial liabilities and term bank facilities were presented in notes 6 and 7 above. The majority of the financial liabilities were restructured subsequent to the balance sheet date as described in Note 17.

13. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its shareholders' equity, term bank facility and interest-bearing debt. The Company's objectives when managing capital are to create an optimal capital structure that safeguards the Company's ability to continue as a going concern while providing optimal returns for shareholders.

As at December 31, 2008, total managed capital was \$35,251 [September 30, 2008 - \$32,240], comprised of shareholders' (deficit)/equity of (\$760) [September 30, 2008 - \$348], term bank facility of \$19,430 [September 30, 2008 - \$15,409] and interest-bearing debt of \$16,581 [September 30, 2008 - \$16,483].

14. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, except per share information)

[unaudited]

December 31, 2008

15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain of the comparative amounts have been reclassified to conform to the current year's method of presentation and to reflect discontinued operations.

16. UNAUDITED INTERIM FINANCIAL STATEMENTS

These unaudited interim financial statements were not reviewed by the Company's external auditor.

17. SUBSEQUENT EVENTS

Term Bank Credit Facility

The Company's Term Bank Credit Facility, as described in Note 7 Term Bank Credit Facility, expired on October 15, 2008. On April 3, 2009, the Company executed a Standstill Agreement ("Agreement") with the Bank which provided for the extension of the facility to September 30, 2009 subject to certain conditions including the issue of Term Notes as described below. The Bank has agreed, subject to certain terms and covenants, to extend the Term Bank Credit Facility, in order to provide the Company sufficient opportunity to pursue a course of action leading to the privatization of the Company or a refinancing, which would lead to the Bank being repaid on September 30, 2009. Interest is payable at rates of Prime + 2% to Prime + 7.5%, depending on the amount borrowed. Key terms in the Agreement require the Company to provide to the Bank prior to June 15, 2009, a signed letter of intent from an independent party detailing a proposed transaction which would result in the Bank being repaid and to provide a final agreement by July 31, 2009.

In addition, the Company is required to provide to the bank by May 3, 2009, agreements from the Convertible Note holders that they have agreed to postpone payment of principal and certain interest payments until September 30, 2009 or until the bank is repaid. The Company intends to satisfy this condition by replacing the Convertible Notes with Term Notes as described below.

Debenture

A debenture, as described in Note 6[a] with a carrying value of \$5,442 as at December 31, 2008, matured on December 15, 2008. On April 3, 2009, an agreement was executed whereby the debenture, including accrued interest, was extended to September 30, 2009, with an interest rate of 15% per annum payable monthly based on certain financial ratios plus 3% per annum payable at the end of the term. The other terms are similar to the Agreement as described in Note 6[a].

Term Notes

At April 3, 2009, the Company is in the process of negotiating the issuance of \$11 million in Term Notes which would be subordinated to the term bank credit facility and the debenture. The Term Notes are expected to be issued with a term of January 31, 2010, paying 15% per annum interest payable monthly based on certain financial ratios and carrying 5.5 million share purchase warrants, exercisable to December 31, 2010 at a price of \$0.20 per share. The term notes are redeemable with no penalty at any time by the Company on 60 days notice. These Term Notes are intended to replace Convertible term notes in place at December 31, 2008 as described in Note 6 [[b] and [c]] Long-term Debt at carrying values of \$7.756 million and \$2.536 million.