

Consolidated Financial Statements

Brainhunter Inc.

[unaudited]

June 30, 2008

Brainhunter Inc.
CONSOLIDATED BALANCE SHEETS

[unaudited]
[in thousands]

As at	June 30, 2008 \$	September 30, 2007 \$
ASSETS		
Current		
Accounts receivable [note 13]	41,354	44,545
Deposits and prepaid expenses	847	558
Future income tax asset	1,420	1,420
Total current assets	43,621	46,523
Capital assets, net [note 3]	5,600	6,137
Other assets	464	525
Investment tax credits recoverable [note 2]	1,373	1,373
Intangible assets, net of amortization [note 5]	6,149	8,546
Goodwill	20,233	20,233
Due from related parties [note 4]	853	443
	78,293	83,780
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	24,641	23,959
Current portion of deferred lease inducement	103	68
Current portion of provision for lease restructuring	205	249
Current portion of long-term debt [notes 4 and 7]	15,386	3,230
Deferred revenue	484	273
Total current liabilities	40,819	27,779
Deferred lease inducement	669	538
Provision for lease restructuring	-	141
Long-term debt [notes 4 and 7]	493	14,759
Term bank facility [note 8]	18,086	24,484
Long-term future income tax liabilities	2,793	3,014
Total long-term liabilities	22,041	42,936
Commitments and contingencies [note 6]		
Shareholders' equity		
Capital stock [note 9]	19,631	20,018
Warrants [note 9]	1,531	1,531
Contributed surplus [notes 9 and 10]	1,544	1,402
Equity component of convertible note obligation [note 9]	1,951	1,951
Deficit	(9,224)	(11,837)
Total shareholders' equity	15,433	13,065
	78,293	83,780

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]

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>June 30,</u> <u>2008</u> <u>\$</u>	<u>June 30,</u> <u>2007</u> <u>\$</u>	<u>June 30,</u> <u>2008</u> <u>\$</u>	<u>June 30,</u> <u>2007</u> <u>\$</u>
Revenue	61,013	55,679	180,661	167,322
Cost of revenues	52,486	47,553	154,613	142,848
Gross profit	8,527	8,126	26,048	24,474
Expenses				
Other staffing costs	5,399	4,547	16,749	13,728
Selling, general and administrative	1,893	1,761	8,263	5,303
	7,292	6,308	25,012	19,031
Income before interest, amortization and income taxes	1,235	1,818	1,036	5,443
Interest expense - cash	737	735	2,586	2,228
Interest expense - accreted	131	337	876	975
Amortization of capital assets	476	470	1,434	1,207
Amortization of intangibles	790	975	2,397	2,926
Amortization of deferred financing costs	-	364	-	997
Total	2,134	2,881	7,293	8,333
Loss from continuing operations before income taxes	(899)	(1,063)	(6,257)	(2,890)
(Recovery of) Income taxes	-	(409)	(221)	(1,217)
Net income from continuing operations	(899)	(654)	(6,036)	(1,673)
Discontinued Operations <i>[note 12]</i>				
Income from discontinued operations	-	209	32	734
Gain from disposal of discontinued operations	1,625	-	8,617	-
Net Profit (loss) from discontinued operations	1,625	209	8,649	734
Net profit (loss) for the period	726	(445)	2,613	(939)
Earnings (loss) per share				
Continuing Operations - Basic and Diluted	(\$0.02)	(\$0.02)	(\$0.14)	(\$0.04)
Discontinued Operations - Basic	\$0.04	\$0.01	\$0.20	\$0.02
Discontinued Operations - Diluted	\$0.04	\$0.00	\$0.20	\$0.02

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF DEFICIT

[unaudited]
[in thousands]

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2008 \$	June 30, 2007 \$	June 30, 2008 \$	June 30, 2007 \$
Deficit, beginning of period	(9,950)	(8,339)	(11,837)	(7,845)
Net profit (loss) for the period	726	(445)	2,613	(939)
Deficit, end of period	(9,224)	(8,784)	(9,224)	(8,784)

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[unaudited]
[in thousands]

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>June 30,</u> <u>2008</u> \$	<u>June 30,</u> <u>2007</u> \$	<u>June 30,</u> <u>2008</u> \$	<u>June 30,</u> <u>2007</u> \$
OPERATING ACTIVITIES of Continuing Operations				
Net loss for the period	(899)	(654)	(6,036)	(1,673)
Add (deduct) items not affecting cash				
Future income taxes	-	(409)	(221)	(1,217)
Loss on disposal of fixed assets	-	-	7	-
Amortization of deferred financing costs	-	364	-	997
Accretion of interest	131	337	876	975
Amortization of deferred lease inducement and provisions	(29)	(11)	(80)	(32)
Amortization of provision for lease restructuring	(62)	(64)	(184)	(196)
Stock-based compensation expense	67	131	142	274
Amortization of capital assets	476	470	1,434	1,207
Amortization of intangible assets	790	975	2,397	2,926
	474	1,139	(1,665)	3,261
Net change in non-cash working capital items <i>[note 11]</i>	3,006	(1,010)	3,795	(3,259)
Cash from operating activities	3,480	129	2,130	2
FINANCING ACTIVITIES of Continuing Operations				
Issuance of shares on repayment of debt	-	-	-	225
Exercise of common share options	-	115	36	115
Increase in deferred financing costs	-	(219)	-	(258)
Increase in deferred lease inducement	-	(9)	-	271
Repayments from (loans to) related parties	-	(13)	(410)	(263)
Purchase of common shares	(289)	-	(289)	-
Proceeds from (repayment of) term bank credit facility	(3,908)	1,243	(6,398)	494
Proceeds from long-term debt	-	-	-	2,586
Repayment of long-term debt <i>[note 7]</i>	(785)	(1,045)	(2,986)	(2,354)
Cash provided by (used in) financing activities	(4,982)	72	(10,047)	816
INVESTING ACTIVITIES of Continuing Operations				
Additions to capital assets	(123)	(39)	(658)	(764)
Increase (decrease) in long term investments	-	(22)	61	(439)
Contingent payments relating to prior-years' acquisitions	-	-	(135)	-
Business acquisitions, net of cash acquired	-	(349)	-	(349)
Cash used in investing activities	(123)	(409)	(732)	(1,552)
Net cash flows used for continuing operations	(1,625)	(209)	(8,649)	(734)
Cash provided from Discontinued Operations				
Cash provided from operating activities of discontinued operations	-	209	32	734
Cash provided from disposal of discontinued operations	1,625	-	8,617	-
Net cash flows provided from discontinued operations	1,625	209	8,649	734
Increase (decrease) in cash	-	-	-	-
Supplemental cash flow information				
Interest paid	579	735	2,095	2,228
Additions to capital assets - non cash	-	-	245	-

See accompanying notes

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[unaudited]
[in thousands]
June 30, 2008

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

Effective fiscal 2008, the Company adopted Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1535, "Capital Disclosure", Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". The adoption of the new standards resulted in additional disclosure with regard to financial instruments and the Company's objectives, policies and process for managing capital (note 14). These new standards had no impact on the classification and valuation of the Company's consolidated financial statements for the quarter ended June 30, 2008.

[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

[unaudited]

[in thousands]

June 30, 2008

[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 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.

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

[unaudited]

[in thousands]

June 30, 2008

[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.

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[unaudited]
[in thousands]
June 30, 2008

2. INVESTMENT TAX CREDITS RECOVERABLE

Investment tax credits consist of the following:

As at	June 30, 2008	September 30, 2007
	\$	\$
Investment tax credits recoverable	1,373	1,373
Income taxes (payable) recoverable	-	-
	1,373	1,373
Less current portion	-	-
	1,373	1,373

3. CAPITAL ASSETS

Capital assets consist of the following:

	<u>June 30, 2008</u>		<u>September 30, 2007</u>	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and office equipment	2,185	1,599	2,176	1,549
Computer equipment	5,360	4,429	5,031	4,226
Computer software	1,575	1,474	1,529	1,364
Developed software	6,112	3,449	6,112	2,537
Leasehold improvements	1,730	411	1,263	298
	16,962	11,362	16,111	9,974
Less accumulated amortization	11,362		9,974	
	5,600		6,137	

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[unaudited]
[in thousands]
June 30, 2008

4. RELATED PARTY TRANSACTIONS

Due from related parties:

	June 30, 2008	September 30, 2007
	\$	\$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms [a].	175	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 7. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes.	410	-
Loan to the President of the Company, fully collateralized by holding \$358 of Convertible Notes issued by the Company in 2005 as part of a financing of \$7,856 as described in Note 7. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes.	268	268
	853	443

[a] 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.

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

Intangible assets are comprised of the following:

	June 30, 2008		September 30, 2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Contracts	2,176	2,170	2,176	2,123
Non-competition agreements	585	531	685	505
Customer relationships	16,470	10,381	16,370	8,057
Other	392	392	392	392
	19,623	13,474	19,623	11,077
Less accumulated amortization	13,474		11,077	
	6,149		8,546	

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 three months of 2008, next four years and thereafter is as follows:

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

[unaudited]

[in thousands]

June 30, 2008

	\$'000
2008	457
2009	1,659
2010	1,467
2011	1,459
2012	1,480
Thereafter	3,604
	<hr/> 10,126

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**

[unaudited]

[in thousands]

June 30, 2008

7. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2008	September 30, 2007
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75	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	200	200
Promissory note, non-interest bearing, payable yearly beginning October 2004, at the greater of \$75 or a formula based on Protec's income	-	75
V2H acquisition convertible note obligation of \$446, 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	-	41
Present value of Promethean \$49 acquisition obligation of 36 interest-only monthly payments of \$1,500, discounted at 0.5% per month	-	10
AJJA acquisition convertible note obligation of \$4,000, bearing interest tied to the 90-day treasury bill rate, repayable in quarterly \$650 plus interest beginning December 31, 2006 and \$675 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	-	1,996
AJJA acquisition vendor take-back loan of \$2,200, non-interest bearing, repayable \$37 monthly for 60 months	725	956
iGate acquisition promissory note of \$500 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	-	494
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 (note [a])	5,313	5,057
Convertible term notes of \$7,856 with a term of three years, repayable at maturity only, with quarterly payments of interest only at 8%, collateralized by a floating charge on the Company's		

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]
[in thousands]
June 30, 2008

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

	7,554	7,157
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Convertible term notes of \$2,586 due February 2, 2009, repayable at maturity only with quarterly payments of interest only at 10% payable in 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

	2,010	1,926
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	15,879	17,989
Less: current portion	15,386	3,230
	493	14,759

Repayment of Long Term Debt

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

	\$000's
2008	354
2009	15,186
2010 and subsequent	339
	15,879

Included in interest expense for the three month period is \$432 relating to long-term debt [2007 - \$386]. All accreted interest expense of \$280 relates to long term debt [2007 - \$337]. Included in interest expense for the nine month period is \$1,267 relating to long-term debt [2007 - \$1,108]. All accreted interest expense of \$1,025 relates to long term debt [2007 - \$ 975].

[a] On November 16, 2005 the Company issued a debenture of \$5,000 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 8]. The lender was issued 1,000 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 company expects to pay \$5,450 on December 15, 2008, to retire the debt.

Included in the debenture is an embedded derivative of \$313. 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. 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.

[b] During Fiscal 2006 the Company issued convertible term notes of \$7,856 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 8) and the debenture [see [a] above]. The notes are convertible at \$1.50 of face value per Company common share at any time. The

Brainhunter Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands]

June 30, 2008

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 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 8) 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. 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 term credit facility from a Schedule "A" bank, initiated November 14, 2005, which facility is collateralized by a general security agreement that constitutes a first charge over all the assets of the Company. The facility bears interest at prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio.

The original amount of the facility was \$20,000 with a maturity date of November 14, 2007.

On September 22, 2006, the demand term credit facility was increased from \$20,000 to \$22,000 on substantially the same terms.

On May 14, 2007, the demand term credit facility was increased from \$22,000 to \$26,000 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 from \$26,000 to \$30,000. This temporary increase was subsequently extended to February 29, 2008. At June 30, 2008, the facility limit stands at \$26,000.

At September 30, 2007, and during the current fiscal year the Company has been in breach of bank covenants relating to specific financial ratios tied to EBITDA. The bank waived the covenant requirement at September 30, 2007 and December 31, 2007.

The CareerSite transaction closed in February, 2008, resulting in the injection of \$9.625 million in cash, \$7.5 million in March, 2008, \$2.0 million in April, 2008 and \$125 thousand in May, 2008, substantially reducing the

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

[unaudited]

[in thousands]

June 30, 2008

Company's credit requirements. At June 30, 2008, the balance outstanding of the term credit facility was 66% of bankable trade accounts receivable and 43% of total trade accounts receivable.

The Company is engaged in continuing discussions with the bank and other financing institutions to determine the most appropriate covenants and financing structure that best suits the company's business opportunities on a go forward basis.

	June 30, 2008	September 30, 2007
	\$	\$
Outstanding cheques net of cash on hand	(403)	(480)
Bank operating loan	(17,683)	(24,004)
	(18,086)	(24,484)

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

[unaudited]

[in thousands, except number of shares]

June 30, 2008

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

	Common shares #	Series A Preferred shares #	Warrants #	Stock options #
Balance, March 31, 2008	44,008,411	4,359,764	8,622,125	3,941,666
Pursuant to the conversion of preferred shares to common shares (<i>note [i]</i>)	3,931,193	(3,931,193)	-	-
Pursuant to expiry of options and warrants	-	-	(500,000)	(1,000,000)
Pursuant to normal course issuer bid (<i>note [ii]</i>)	(691,000)	-	-	-
Balance, June 30, 2008	47,248,604	428,571	8,122,125	2,941,666

	Capital stock					
	Common shares \$	Common shares pledged as security \$	Series A Preferred shares \$	Total \$	Warrants \$	Contributed surplus \$
Balance, March 31, 2008	18,993	(1,320)	2,247	19,919	1,531	1,477
Pursuant to the conversion of preferred shares (<i>note [i]</i>)	1,966	-	(1,966)	-	-	-
Pursuant to normal course issuer bid (<i>note [ii]</i>)	(289)	-	-	(289)	-	-
Stock-based expense	-	-	-	-	-	67
Balance, June, 2008	20,670	(1,320)	281	19,631	1,531	1,544

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

[unaudited]

[in thousands, except number of shares]

June 30, 2008

[i] Conversion of Preferred Shares to Common Shares

In June 2008, 3,931,193 Series A Preferred Shares were converted to 3,931,193 Common Shares. The Series A Preferred Shares are converted at the discretion of the holder at any time into one Common Share for each Preferred Share held and are voting.

[ii] Normal Course Issuer Bid

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. As at June 30, 2008, the Company had purchased for cancellation 691,000 Common Shares for an aggregate purchase price of \$288, of which \$298 has been charged to capital stock and \$10 to contributed surplus. The NCIB will expire on April 3, 2009.

[c] Options

The following table summarizes the stock options outstanding and exercisable for the period ended June 30, 2008:

		Options outstanding				Options	
Exercise price	Expiry	Outstanding March 31, 2008	Issued During Period	Expired During Period	Exercised During Period	Outstanding June 30, 2008	Exercisable June 30, 2008
\$		#	#	#	#	#	#
0.45	March, 2013	275,000	-	-	-	275,000	131,250
0.50	June, 2008	1,000,000	-	1,000,000	-	-	-
0.71	July, 2008	1,016,667	-	-	-	1,016,667	1,016,667
0.80	December, 2012	100,000	-	-	-	100,000	-
1.00	November, 2011	1,550,000	-	-	-	1,550,000	1,181,667
0.45- 1.00		3,941,667	-	1,000,000	-	2,941,667	2,329,584

Brainhunter Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

[in thousands, except number of shares]

June 30, 2008

[d] Warrants

The following table summarizes the warrant activity for the period ended June 30, 2008:

Exercise price	Expiry	Warrants outstanding				June 30, 2008	Warrants Exercisable June 30, 2008
		March 31, 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	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	485,000	-	-	-	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	266,125
1.00	May, 2010	250,000	-	-	-	250,000	250,000
2.09	March, 2008	500,000	-	-	(500,000)	-	-
0.60 - 1.00		8,622,125	-	-	(500,000)	8,122,125	7,960,458

[e] Loss per share

The following table details the weighted average number of common shares outstanding for each of the three months ended June 30:

Three months ended June 30	2008	2007
	#	#
Basic	43,912,144	43,191,478
Diluted	43,912,144	48,219,413

[f] Equity component of convertible note obligation

	June 30, 2008	September 30, 2007
	\$	\$
Beginning balance	1,951	1,608
10% convertible notes	-	344
Ending balance	1,951	1,951

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

[unaudited]

[in thousands, except number of shares]

June 30, 2008

10. STOCK-BASED EXPENSE

Key valuation assumptions differ for each tranche issued and include estimated terms from 2 to 5 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 three months ended June 30, 2008 for stock options and warrants was \$67 [2007 - \$0].

11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
	\$	\$	\$	\$
Accounts receivable	3,388	(110)	3,191	(3,771)
Deposits and prepaid expenses	(60)	(102)	(289)	84
Accounts payable and accrued liabilities	(438)	(714)	682	361
Deferred revenue	116	(84)	211	67
	3,006	(1,010)	3,795	(3,259)

12. 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 for a total consideration received to date of \$9,500.

Pursuant to the Agreements the remaining \$500 of the Consideration will be paid to the Company at the rate of \$125 per quarter, as agreed quarterly transition milestones are achieved. In May 2008, the Company received \$125 for achieving the 1st milestone.

For Q3 of Fiscal 2008, the Company is recognizing a gain on the disposition of the CareerSite Business of \$2,125 being the proceeds received during the quarter less a reserve of \$500 for anticipated transaction and transition costs. No provision is being recorded for income tax expense as the gain on disposition is shielded from income tax by losses carried forward from previous periods.

[b] The Company’s results of operations related to discontinued operations for the 3 months ended June 30, 2008 and 2007 are shown below:

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

[unaudited]

[in thousands]

June 30, 2008

	Three Months ended June 30,	
	2008	2007
	\$	\$
Results of Operations		
Revenues	-	896
Costs and expenses	-	489
	-	407
Sales and marketing	-	163
General & administrative	-	35
Income before gain on disposition	-	209
Gain on disposition	1,625	-
Income before income taxes	1,625	209
Income tax expense	-	-
Net income	1,625	209

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

Upon adoption of 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 three-month period ended June 30, 2008.

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 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 June 30, 2008, 30% of revenues related to various Federal Government of Canada agencies and departments [2007 – 37%]. At period end, the accounts receivable from all Federal Government of Canada were 29% of the Company's total accounts receivable [2007 - 33%].

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

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

[unaudited]

[in thousands]

June 30, 2008

	June 30,
	2008
	\$
Accrued but not invoiced trade receivables	2,295
Invoiced receivables within normal payment terms	37,438
Invoiced receivables past normal payment terms but not impaired	1,091
Invoiced receivables impaired	31
Miscellaneous receivables	812
Allowance for doubtful accounts	(313)
Total Accounts Receivable, net	41,354

[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 June 30, 2008 the Company recorded a foreign exchange loss of \$13 [2007 - \$118 gain]. 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 and nine month ended June 30, 2008 of approximately +/- \$63 and +/- \$161, respectively.

[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 June 30, 2008, the total bank facility outstanding was \$18,086 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 and nine month ended June 30, 2008 of approximately +/- \$45 and +/- \$136, respectively.

[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 7 and 8 above. The company is currently negotiating term financing facilities intended to repay these liabilities as the mature.

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

[unaudited]

[in thousands]

June 30, 2008

14. 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 June 30, 2008, total managed capital was \$49,398 [September 30, 2007 - \$55,538], comprised of shareholders' equity of \$15,284 [September 30, 2007 - \$13,065], term bank facility of \$18,086 [September 30, 2007 - \$24,484] and interest-bearing debt of \$16,028 [September 30, 2007 - \$17,989].

15. 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.

16. COMPARATIVE AMOUNTS

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

17. UNAUDITED INTERIM FINANCIAL STATEMENTS

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