

Consolidated Financial Statements

Brainhunter Inc.

September 30, 2006

AUDITORS' REPORT

To the Shareholders of
Brainhunter Inc.

We have audited the consolidated balance sheets of **Brainhunter Inc.** as at September 30, 2006 and 2005 and the consolidated statements of operations and loss, (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
December 15, 2006 (*except as to Note 11,*
which is as of December 22, 2006)

Ernst + Young LLP

Chartered Accountants

Brainhunter Inc.
CONSOLIDATED BALANCE SHEET

As at September 30	2006	2005
ASSETS		
Current		
Restricted short-term investment <i>[note 10]</i>	125,000	125,000
Accounts receivable	39,596,147	16,223,905
Investment tax credits recoverable <i>[note 3]</i>	-	250,000
Deposits and prepaid expenses	762,314	312,618
Future income tax asset <i>[note 6]</i>	939,664	523,432
Total current assets	41,423,125	17,434,955
Capital assets, net <i>[note 4]</i>	6,755,710	5,701,846
Investment tax credits recoverable <i>[note 3]</i>	1,373,122	1,094,507
Deferred financing costs <i>[note 15]</i>	1,285,194	434,000
Intangible assets, net of amortization <i>[note 7]</i>	12,447,886	3,262,222
Goodwill <i>[note 7]</i>	20,232,800	9,382,402
Due from related parties <i>[note 5]</i>	190,150	282,159
Future income tax asset <i>[note 6]</i>	-	500,496
	83,707,987	38,092,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness <i>[note 9]</i>	-	10,578,481
Accounts payable and accrued liabilities	23,518,477	6,364,660
Current portion of deferred lease inducement	39,490	35,700
Current portion of provision for lease restructuring	261,756	-
Current portion of long-term debt <i>[note 10]</i>	4,139,378	1,046,685
Deferred revenue	416,714	575,654
Total current liabilities	28,375,815	18,601,180
Deferred lease inducement	325,153	294,529
Provision for lease restructuring	377,312	-
Long-term debt <i>[note 10]</i>	13,818,884	760,951
Term bank facility <i>[note 11]</i>	21,795,732	-
Long-term future income tax liabilities	2,437,234	-
Total long-term liabilities	38,754,315	1,055,480
Commitments and contingencies <i>[note 8]</i>		
Shareholders' equity		
Capital stock <i>[note 12]</i>	20,309,153	20,484,854
Warrants <i>[note 12]</i>	1,423,498	68,945
Contributed surplus <i>[notes 12 and 13]</i>	1,082,508	973,744
Equity component of convertible note obligation <i>[note 12]</i>	1,607,726	53,040
Deficit	(7,845,028)	(3,144,656)
Total shareholders' equity	16,577,857	18,435,927
	83,707,987	38,092,587

See accompanying notes

On behalf of the Board:

John McKimm
 Director

John Gillies
 Director

Brainhunter Inc.
CONSOLIDATED STATEMENT OF OPERATIONS AND LOSS

Year ended September 30	2006	2005
Revenue	166,503,522	76,061,391
Cost of revenues	138,830,406	59,984,183
Gross profit	27,673,116	16,077,208
Expenses		
Other staffing costs	17,611,170	9,702,382
Selling, general and administrative	7,016,250	5,425,156
	24,627,420	15,127,538
Income before interest, amortization and income taxes	3,045,696	949,670
Interest expense	2,484,580	418,765
Interest expense - accreted <i>[note 10]</i>	1,117,631	55,855
Amortization of capital assets	1,074,318	899,403
Amortization of intangibles	3,614,336	1,112,917
Amortization of deferred financing costs	916,991	-
	9,207,856	2,486,940
Loss before income taxes	(6,162,160)	(1,537,270)
(Recovery of) provision for income taxes <i>[note 6]</i>	(1,461,788)	1,853,488
Net loss for the year	(4,700,372)	(3,390,758)
Loss per share <i>[note 12][ff]</i>		
Basic	(\$0.11)	(\$0.08)
Diluted	(\$0.11)	(\$0.08)

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENT OF (DEFICIT)

Year ended September 30	2006	2005
(Deficit) retained earnings, beginning of year	(3,144,656)	259,777
Net loss for the year	(4,700,372)	(3,390,758)
Shares purchased for cancellation, excess of cost over book value	-	(13,675)
(Deficit), end of year	(7,845,028)	(3,144,656)

See accompanying notes

Brainhunter Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended September 30	2006	2005
OPERATING ACTIVITIES		
Net loss for the year	(4,700,372)	(3,390,758)
Add (deduct) items not affecting cash		
Future income taxes	(1,461,788)	1,850,077
Investment tax credits	-	(295,395)
Amortization of deferred financing costs	916,991	-
Accretion of interest	1,117,631	55,855
Amortization of lease inducement and provisions	(39,490)	(35,701)
Amortization of provision for lease restructuring	(208,411)	-
Stock-based compensation expense	118,801	243,376
Amortization of capital assets	1,074,318	899,092
Amortization of intangible assets	3,614,336	1,112,917
	432,016	439,463
Net change in non-cash working capital items <i>[note 14]</i>	(1,368,611)	(3,258,369)
Cash used in operating activities	(936,595)	(2,818,906)
FINANCING ACTIVITIES		
Exercise of common share purchase warrants <i>[note 12]</i>	-	584,500
Exercise of common share options <i>[note 12]</i>	66,299	150,670
Repayment of bank indebtedness	(9,933,660)	-
Increase in deferred financing costs	(1,696,151)	(434,000)
Increase in lease inducement	73,905	127,927
Repayments from related parties	92,009	48,539
Share purchase loans <i>[note 12]</i>	(242,000)	(104,289)
Purchase of common shares <i>[note 12]</i>	-	(26,615)
Proceeds from bank credit facility	21,795,732	3,245,660
Proceeds from long-term debt	12,498,000	358,000
Repayment of long-term debt <i>[note 10]</i>	(587,104)	(356,000)
Cash provided by financing activities	22,067,030	3,594,392
INVESTING ACTIVITIES		
Additions to capital assets	(1,699,252)	(2,133,617)
Business acquisitions, net of cash acquired <i>[note 2]</i>	(18,786,362)	(54,038)
Cash used in investing activities	(20,485,614)	(2,187,655)
Net increase (decrease) in cash during the year	644,821	(1,412,169)
(Bank overdraft) cash, beginning of year <i>[note 9]</i>	(644,821)	767,348
Bank indebtedness, end of year <i>[note 9]</i>	-	(644,821)

See accompanying notes

Brainhunter Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

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] 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.

[c] 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

Brainhunter Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[d] 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.

[e] 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.

[f] 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.

[g] 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.

[h] Research and development

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

Brainhunter Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[i] 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.

[j] Foreign currency translation

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

[k] Financial instruments

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

[l] 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.

[m] Deferred financing costs

Financing costs relating to long-term debt are deferred and amortized on the straight-line basis over the term of the debt.

[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] Asset retirement obligations

Effective October 1, 2004, the Company adopted the recommendations of CICA Section 3110, "Asset Retirement Obligations" ["CICA 3110"]. Under the new standard the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The associated

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asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. The adoption of CICA 3110 did not have any impact on the Company's consolidated financial statements.

[p] Stock-based compensation

Effective October 1, 2004 the Company adopted retroactively, without restatement, the revisions to CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments* ["CICA 3870"]. Under this standard, the Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at the fair value at the grant date using the Black-Scholes valuation model and charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus.

2. BUSINESS ACQUISITIONS**AJJA Information Technology Consultants Inc.**

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

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

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

The purchase price components for the acquisition of AJJA are:

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

Included in the amount for transaction costs above is an amount of \$56,978 which remained unpaid at the balance sheet date.

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

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

iGate Mastech Ltd.

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

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

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

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	\$
Working capital	5,410,259
Property and equipment	243,159
Intangibles - existing contracts	400,000
Intangibles - customer relationships	5,300,000
Liability for premise leases	(574,441)
Future income tax liability	(1,418,765)
Goodwill	4,474,713
Total	13,834,925

The purchase price components for the acquisition of iGate are:

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

Included in the amount for transaction costs above is an amount of \$289,316 which remained unpaid at the balance sheet date. In addition, an amount of \$273,038 of the liability for premises leases remains unpaid at the balance sheet date.

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

Customer relationships	5 years
Existing contracts	2 years

Year ended September 30, 2005**Vision2Hire Solutions Inc.**

100% of the common shares of Vision2Hire Solutions Inc. ["V2H"] were acquired for cash and convertible notes on December 1, 2004. The convertible notes have a nominal value of \$446,054, pay no interest over their three-year term, and are to be repaid \$55,757 quarterly beginning February 11, 2006. The notes are convertible over their term to common shares of the Company at an exercise price of \$2.00 per share. In accordance with CICA 3860, the convertible notes are to be separated into two components: a financial liability to make future payments and an equity instrument that is effectively a call option granting the holder the right, for a specified period of time, to convert into common shares of the Company. The Company has calculated the fair value of the financial liability component of the convertible notes to be \$393,014 by discounting the quarterly payments using an effective interest rate of 6% per annum. This discount on the convertible notes is being charged to interest expense over the term of the notes. The carrying amount of the equity instrument, \$53,040, was determined by deducting the fair value of the financial liability from the amount of the convertible notes as a whole. The results of V2H have been consolidated in the Company's accounts commencing December 1, 2004.

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

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The purchase price for the V2H acquisition has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

	\$
Working capital deficiency	(257,044)
Capital assets	23,411
Intangible assets - customer relationships	800,000
Future income tax assets	76,310
Goodwill	10,620
	<u>653,297</u>

The purchase price components for the acquisition of V2H are as follows:

	\$
Cash consideration	56,217
Liability portion of convertible notes	393,014
Conversion rights on notes	53,040
Transaction costs	151,026
	<u>653,297</u>

The costs of the intangible assets - customer relationships are being amortized on a straight-line basis over 3 years.

Promethean Systems Consultants Inc.

On January 1, 2005, Promethean Systems Consultants Inc. ["Promethean"] was acquired in exchange for 150,000 shares of the Company and 266,125 share purchase warrants of the Company exercisable at a price of \$1.00 per share for a period of 4 years. Of the warrants issued, 157,422 were released from escrow in September 2005 and the remaining 108,703 will be released at a rate of 1/3 per year, beginning May 2006. The fair value of the warrants was estimated using the Black-Scholes option pricing model. Key valuation assumptions include an estimated term of 3 years, risk-free interest rate of 3.06%, and stock volatility of 0.4963 based on a 3-year trading history. In addition, the Company undertook for 3 years to make \$1,500 monthly interest payments on bank debt of the former shareholders of Promethean, as well as guaranteeing that bank debt up to an amount of \$100,000 which approximates fair value. The monthly interest payments have been recorded as a long-term debt with a fair value of \$49,307, representing the present value of the payments calculated using a discount rate of 6% per annum. The results of Promethean have been consolidated in the Company's accounts commencing January 1, 2005.

The purchase price for the Promethean acquisition has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as follows:

