

Consolidated Financial Statements
(Unaudited)

Brainhunter Inc.

For the period ended
December 31, 2006

Brainhunter Inc.
Consolidated Balance Sheets (Unaudited)

As at	December 31, 2006	September 30, 2006
	\$	\$
ASSETS		
Current		
Restricted short-term investment <i>[note 8]</i>	25,000	125,000
Accounts receivable	41,754,758	39,596,147
Deposits and prepaid expenses	930,248	762,314
Future income tax asset	939,664	939,664
Total current assets	43,649,670	41,423,125
Capital assets, net <i>[note 4]</i>	7,089,402	6,755,710
Investment tax credits recoverable <i>[note 3]</i>	1,373,122	1,373,122
Deferred financing costs <i>[note 6]</i>	971,475	1,285,194
Intangible assets, net of amortization <i>[note 7]</i>	11,472,557	12,447,886
Goodwill <i>[note 7]</i>	20,232,800	20,232,800
Due from related parties <i>[note 5]</i>	440,150	190,150
	85,229,176	83,707,987
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	20,987,921	23,518,477
Current portion of deferred lease inducement	39,490	39,490
Current portion of provision for lease restructuring	261,756	261,756
Current portion of long-term debt <i>[note 8]</i>	4,053,873	4,139,378
Deferred revenue	539,470	416,714
Total current liabilities	25,882,510	28,375,815
Deferred lease inducement	459,251	325,153
Provision for lease restructuring	309,929	377,312
Long-term debt <i>[note 8]</i>	13,640,235	13,818,884
Term bank facility <i>[note 9]</i>	26,304,548	21,795,732
Long-term future income tax liabilities	2,078,017	2,437,234
Total long-term liabilities	42,791,980	38,754,315
Shareholders' equity		
Capital stock <i>[note 10]</i>	20,534,341	20,309,153
Warrants <i>[note 10]</i>	1,423,498	1,423,498
Contributed surplus <i>[note 10]</i>	1,095,467	1,082,508
Equity component of convertible note obligation <i>[note 10]</i>	1,607,726	1,607,726
Deficit	(8,106,346)	(7,845,028)
Total shareholders' equity	16,554,686	16,577,857
	85,229,176	83,707,987

See accompanying notes.

Approved on behalf of the Board:

John McKimm
Director

John Gillies
Director

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

Three months ended December 31	2006	2005
	\$	\$
Revenue	54,730,398	33,861,839
Cost of revenues	46,367,778	28,097,362
Gross profit	8,362,620	5,764,477
Expenses		
Other staffing costs	4,530,733	3,537,834
Selling, general and administrative	1,824,701	1,512,129
	6,355,434	5,049,963
Income before interest, amortization and income taxes	2,007,186	714,514
Interest expense	753,425	396,141
Interest expense - accreted <i>[note 8]</i>	312,529	200,856
Amortization of capital assets	271,206	255,777
Amortization of intangibles	975,329	778,334
Amortization of deferred financing costs	313,719	-
Total	2,626,208	1,631,108
Loss before income taxes	(619,022)	(916,594)
(Recovery of) provision for income taxes	(357,704)	21,482
Net loss for the period	(261,318)	(938,076)
Loss per share <i>[note 10]</i>		
Basic	(\$0.01)	(\$0.02)
Diluted	(\$0.01)	(\$0.02)

See accompanying notes.

Brainhunter Inc.
Consolidated Statements of Deficit (Unaudited)

	2006	2006
	\$	\$
(Deficit), beginning of period	(7,845,028)	(3,144,656)
Net loss for the year	-	(4,700,372)
Net loss for the three month period	(261,318)	-
(Deficit), end of period	(8,106,346)	(7,845,028)

See accompanying notes.

Brainhunter Inc.
Consolidated Statements of Cash Flows (Unaudited)

Three months ended December 31	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(261,318)	(938,076)
Add (deduct) items not affecting cash		
Future income taxes	(357,704)	21,482
Amortization of deferred financing costs	313,719	-
Accretion of interest	312,529	200,856
Amortization of lease inducement	(10,736)	(10,736)
Amortization of provision for lease restructuring	(67,413)	(27,687)
Stock-based compensation expense	12,959	-
Amortization of capital assets	271,206	255,777
Amortization of intangible assets	975,329	778,334
	1,188,571	279,950
Net change in non-cash working capital items <i>[note 11]</i>	(4,735,858)	1,329,994
Cash used in operating activities	(3,547,287)	1,609,944
FINANCING ACTIVITIES		
Issue of shares on repayment of debt <i>[note 10]</i>	225,188	-
Exercise of common share options <i>[note 10]</i>	-	16,050
Repayment of bank indebtedness	-	(9,933,660)
Increase in deferred financing costs	-	(1,284,269)
Increase in lease inducement	144,863	-
Advances to related parties	(250,000)	(37,490)
Share purchase loans <i>[note 10]</i>	-	(242,000)
Proceeds from bank credit facility <i>[note 9]</i>	4,508,818	18,675,359
Proceeds from long-term debt	-	12,498,000
Repayment of long-term debt <i>[note 8]</i>	(476,684)	(152,833)
Cash provided by financing activities	4,152,185	19,539,157
INVESTING ACTIVITIES		
Additions to capital assets	(604,898)	(376,711)
Business acquisitions, net of cash acquired <i>[note 2]</i>	-	(18,786,362)
Cash used in investing activities	(604,898)	(19,163,073)
Net increase (decrease) in cash during the period	-	1,986,028
(Bank overdraft), beginning of period	-	(644,821)
Cash, end of period	-	1,341,207

See accompanying notes.

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of consolidation

These consolidated interim 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.

The interim financial statements follow the same accounting policies and methods of their application as the most recently issued annual financial statements, except for the change in accounting policies discussed in note 1 [q].

[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:

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

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

[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, trade names, 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.

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

[h] Research and development

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

[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.

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

[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 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.

[q] Financial Instruments

Effective October 1, 2006, the Company adopted the recommendations of CICA Section 3855, "Financial Instruments - Recognition and Measurement", which describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets, except for those classified as held-to-maturity, loans and receivables, and derivative financial instruments are measured at their fair values. All financial liabilities are measured at their fair values when they are classified as held for trading purposes. Otherwise, they are measured at their carrying value. The impact of the adoption of this new section did not have a significant effect on the consolidated financial statements.

2. BUSINESS ACQUISITIONS

Year ending September 30, 2006

AJJA Information Technology Consultants Inc.

On October 11, 2005, 100% of the common and preference shares of AJJA Information Technology Consultants Inc. ("AJJA"), an information technology staffing company, were acquired for cash, convertible notes, and zero-interest vendor-take-back loans. The convertible notes have a nominal value of \$4,000,000 and are to be repaid \$650,000 quarterly plus interest beginning December 31, 2006 and \$675,000 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

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

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:

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

The purchase price components for the acquisition of AJJA are:

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

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

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

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:

	\$
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

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

3. INVESTMENT TAX CREDITS RECOVERABLE

	December 31 2006	September 30 2006
	\$	\$
Investment tax credits recoverable	1,363,127	1,363,127
Income taxes recoverable	9,995	9,995
	1,373,122	1,373,122

4. CAPITAL ASSETS

	<u>December 31, 2006</u>		<u>September 30, 2006</u>	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and office equipment	2,105,022	1,450,527	2,065,992	1,419,803
Computer equipment	4,843,735	4,047,533	4,833,849	3,973,747
Computer software	1,424,492	1,242,710	1,375,157	1,199,296
Developed software	6,086,043	1,592,042	5,824,711	1,492,042
Leasehold improvements	1,234,807	271,886	989,491	248,602
	15,694,099	8,604,697	15,089,200	8,333,490
Less accumulated amortization	8,604,697		8,333,490	
	7,089,402		6,755,710	

5. DUE FROM RELATED PARTIES

	December 31 2006	September 30 2006
	\$	\$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms	190,150	190,150
Loan to a senior executive, at 8% per annum interest, due October, 2008	250,000	-
	440,150	190,150

6. DEFERRED FINANCING COSTS

The deferred financing costs recorded in 2005 and 2006 are related to the term bank facility (Note 9) and long-term debt (Note 8) obtained on November 16, 2005, to effect the acquisition of AJJA and iGate (Note 2).

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

	December 31	September 30
	2006	2006
	\$	\$
Beginning balance, net of amortization, October 1	1,285,194	434,000
Expenditures during the period	-	1,768,185
	1,285,194	2,202,185
Amortization for the year	-	(916,991)
Amortization for the three month period	(313,719)	-
Ending Balance, net of amortization, end of period	971,475	1,285,194

7. GOODWILL AND INTANGIBLE ASSETS [note 2]

The variations in goodwill are as follows:

	December 31	September 30
	2006	2006
	\$	\$
Balance, beginning of period	20,232,800	9,382,402
Goodwill acquired on acquisitions		
AJJA	-	6,375,685
iGate	-	4,474,713
Balance, end of period	20,232,800	20,232,800

Intangible assets are comprised of the following:

	<u>December 31, 2006</u>		<u>September 30, 2006</u>	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Contracts	2,176,339	1,748,339	2,176,339	1,623,339
Non-competition agreements	685,000	379,000	685,000	337,000
Customer relationships	16,370,000	5,631,443	16,370,000	4,823,114
Other	391,764	391,764	391,764	391,764
	19,623,103	8,150,546	19,623,103	7,175,217
Less accumulated amortization	8,150,546		7,175,217	
	11,472,557		12,447,886	

8. LONG-TERM DEBT

Long-term debt consists of the following:

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

	December 31 2006	September 30 2006
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75,000	88,808	165,368
Acquisition obligation of the Company to pay \$458,382 on March 10, 2006 in common stock of the Company based on the weighted average trading price for previous twenty days or, at the Company's option, in cash, however the holders have the right to refuse a cash offer and elect to accept shares	233,194	458,382
Promissory note, non-interest bearing, payable yearly beginning October 2004, at the greater of \$75,000 or a formula based on Protec's income	286,991	282,655
V2H acquisition convertible note obligation of \$446,054, non-interest bearing repayable in equal quarterly principal payments of 1/8 of the principal beginning in the second year after closing, and at the holders' option, convertible into common shares of the Company at a price of \$2.00 per share; fair value of conversion rights added to shareholders' equity	194,439	245,776
Present value of Promethean \$49,307 acquisition obligation of 36 interest-only monthly payments of \$1,500, discounted at 0.5% per month	23,013	27,124
Sirius acquisition convertible note obligation, bearing interest tied to the 90-day treasury bills rate, repayable in equal quarterly principal payments of \$125,000, and at the holders' option, convertible into common shares of the Company at a price of \$3.00 per share, fully collateralized by Government of Canada Treasury Bills held by a trust	25,000	125,000
AJJA acquisition convertible note obligation of \$4,000,000, bearing interest tied to the 90-day treasury bill rate, repayable in quarterly \$325,000 plus interest beginning December 31, 2006 and \$337,500 plus interest beginning June 30, 2007, and at the holders' option, convertible into common shares of the Company at a price of \$1.00 per share; fair value of conversion rights added to shareholders' equity	3,561,286	3,470,518

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

AJJA acquisition vendor take-back loan of \$2,200,000, non-interest bearing, repayable \$36,667 monthly for 60 months	1,187,129	1,264,192
iGate acquisition promissory note of \$500,000 with a term of two years, repayable at maturity only, with interest-only quarterly payments at a rate tied to the 90-day treasury bill rate	456,175	443,654
Debenture of \$5,000,000, repayable on December 15, 2008, paying interest-only quarterly at 12%, collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank	4,775,269	4,745,216
Convertible term notes of \$7,856,000 with a term of three years, repayable at maturity only, with monthly payments of interest only at 8%, collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture, and at the holders' option, convertible into common shares of the Company at a price of \$1.00 per share; fair value of conversion rights added to shareholders' equity	6,862,804	6,730,377
	17,694,108	17,958,262
Less: current portion	4,053,873	4,139,378
	13,640,235	13,818,884

9. TERM BANK FACILITY

On November 16, 2005, the Company obtained a revolving demand credit facility of \$20,000,000 from a Schedule "A" bank, with a term of two years, bearing interest at prime plus 0.5% to 1.5%, depending on a specific bank covenant ratio, collateralized by a general security agreement that constitutes a first charge over all the assets of the Company. A portion of the proceeds was used to retire the \$10,000,000 facility in place on September 30, 2005.

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

	December 31, 2006	September 30, 2006
	\$	\$
Outstanding cheques net of cash on hand	(5,128,094)	(2,649,397)
Bank operating loan	(21,176,454)	(19,146,335)
	(26,304,548)	(21,795,732)

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

10. 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. The Series A preferred shares are convertible at the discretion of the holder at any time into one common share for each preferred share held and are voting.

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

	Common shares #	Series A preferred shares #	Warrants #	Stock options #
Balance, September 30, 2006	42,694,977	4,359,764	8,258,460	3,754,936
Shares issued as repayment of Long Term Debt [Note 8]	338,375	—	—	—
Balance, December 31, 2006	43,033,352	4,359,764	8,258,460	3,754,936

	Capital stock					
	Common shares \$	Common shares pledged as security \$	Series A preferred shares \$	Total \$	Warrants \$	Contributed surplus \$
Balance, September 30, 2006	19,147,310	(1,084,838)	2,246,681	20,309,153	1,423,498	1,082,508
Shares issued as repayment of Long Term Debt [Note 8]	225,188	-	-	225,188	-	-
Stock-based expense	-	-	-	-	-	12,959
Balance, December 31, 2006	19,372,498	(1,084,838)	2,246,681	20,534,341	1,423,498	1,095,467

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

[c] Options

The following table summarizes the stock options outstanding and exercisable for the period ended December 31, 2006:

Exercise price	Expiry	Options outstanding			December 31, 2006	Options Exercisable December 31, 2006
		September 30, 2006	Issued During Period	Exercised During Period		
\$		#	#	#	#	#
0.30	July, 2007	1,001,802	—	—	1,001,802	1,001,802
0.35	February, 2008	316,467	—	—	316,467	316,467
0.50	June, 2008	1,000,000	—	—	1,000,000	1,000,000
0.71	July, 2008	1,166,667	—	—	1,166,667	1,166,667
1.00	November, 2011	—	1,775,000	—	1,775,000	1,085,000
1.35	May, 2009	270,000	—	—	270,000	180,000
		3,754,936	1,775,000	—	5,529,936	4,749,936

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

[d] Warrants

The following table summarizes the warrant activity for the period ended December 31, 2006:

Exercise price \$	Expiry	Warrants outstanding				December 31, 2006 #	Warrants Exercisable December 31, 2006 #
		September 30, 2006 #	Issued During Period #	Exercised During Period #	Expired During Period #		
		0.81	November, 2006	175,000	—		
1.00	September 21, 2008	800,000	—	—	—	800,000	
1.00	October 11, 2008	1,004,000	—	—	—	1,004,000	
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	
1.00	May, 2009	266,125	—	—	—	266,125	
1.00	May, 2010	250,000	—	—	—	250,000	
1.85	January, 2007	355,000	—	—	—	355,000	
1.88	February, 2007	283,335	—	—	—	283,335	
1.96	January, 2007	250,000	—	—	—	250,000	
2.09	October, 2006	226,000	—	—	(226,000)	—	
2.09	March, 2008	500,000	—	—	—	500,000	
2.11	November, 2006	125,000	—	—	(125,000)	—	
		8,258,460	—	—	(526,000)	7,732,460	7,288,376

[e] Loss per share

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

	December 31, 2006 #	December 31, 2005 #
Basic	42,730,747	42,251,388
Diluted	42,730,747	42,251,388

As a result of the net loss for the three months ended December 31, 2006, the potentially dilutive securities have not been included in the calculation of diluted loss per share, because to do so, would have been anti-dilutive.

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

[f] Equity components of convertible note obligations

The variations in the equity component of convertible note obligations are as follows:

	December 31, 2006	September 30 2006
	\$	\$
Beginning balance	1,607,726	53,040
AJJA convertible notes	—	877,427
8% Convertible notes	—	677,259
Ending balance	1,607,726	1,607,726

[g] Escrowed shares

At December 31, 2006, 66,000 common shares relating to the Prolink acquisition were held in escrow to be released on January 15, 2007.

11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

Three months ending December 31,	2006	2005
	\$	\$
Accounts receivable	(2,158,611)	(750,677)
Deposits and prepaid expenses	(167,934)	(160,554)
Accounts payable and accrued liabilities	(2,532,069)	2,087,066
Deferred revenue	122,756	154,159
	(4,735,858)	1,329,994

12. SEGMENT REPORTING

In the prior year comparative period, the Company reported two business segments. Subsequently in 2006, 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.

13. FINANCIAL INSTRUMENTS

[a] Fair value

The fair values of the Company's current assets and current liabilities approximate their carrying values due to their short-term nature. The fair market value of long-term debt

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

approximates carrying value based on the Company's current borrowing rates for similar types of borrowing arrangements.

[b] Credit risk

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

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the period, 39% of revenues related to various Federal Government of Canada agencies and departments.

At period end, the accounts receivable from all Federal Government of Canada were 35% of the Company's total accounts receivable [2005 - 42%].

[c] Foreign currency rate risk

The Company is exposed to risk due to fluctuations in the exchange rate of the U.S. dollar in relation to the Canadian dollar. In the period ending December 31, 2006 the Company recorded a foreign exchange gain of \$86,792 [2005 - \$17,523 loss].

[d] Interest rate risk

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

14. SUBSEQUENT EVENTS

On January 15, 2007, the Company issued a news release announcing a private placement financing in the amount of up to \$2,000,000. Subsequently, the maximum amount was increased to \$2,900,000. It was closed February 5, 2007 at \$2,586,000. The financing consisted of convertible notes with a term of two years and a 10% interest rate payable in cash or shares or cash at the note-holder's option, with certain restrictions. The notes are convertible into Brainhunter shares at \$0.75 per share. Each \$1,000 of notes receives 500 common share purchase warrants at an exercise price of \$0.60 for a period of two years. Determination of the fair values of the conversion rights and of the warrants has not yet been finalized.

Subsequent to the balance sheet date, the Company determined that as part of the purchase price of a previously completed acquisition, the Company is obligated to issue shares of the Company in an amount to be finalized, not to exceed 1,128,627 shares.

15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

Brainhunter Inc. (Unaudited)
Notes to Consolidated Financial Statements
December 31, 2006

16. UNAUDITED INTERIM FINANCIAL STATEMENTS

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