

**Consolidated Financial Statements**

**Brainhunter Inc.**

[unaudited]

March 31, 2009

**Brainhunter Inc.**  
**CONSOLIDATED BALANCE SHEETS**

[unaudited]

[in thousands]

[Going Concern – see note 1]

As at	March 31, <b>2009</b> \$	September 30, <b>2008</b> \$
<b>ASSETS [notes 6 and 7]</b>		
<b>Current</b>		
Accounts receivable [note 12[a]]	36,861	35,876
Prepaid expenses	278	332
<b>Total current assets</b>	<b>37,139</b>	<b>36,208</b>
Property, plant and equipment, net [note 2]	2,821	3,032
Deposits	524	366
Other assets	445	471
Intangible assets, net [note 4]	5,653	7,718
Goodwill [note 4]	6,571	6,571
Due from related parties [note 3]	1,117	853
	<b>54,270</b>	<b>55,219</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	22,690	21,737
Current portion of deferred lease inducement	103	103
Current portion of provision for lease restructuring	15	91
Current portion of long-term debt [note 6]	16,369	16,144
Term bank credit facility [notes 6 and 7]	17,394	15,409
Deferred revenue	362	337
<b>Total current liabilities</b>	<b>56,933</b>	<b>53,821</b>
Deferred lease inducement	580	637
Long-term debt [note 6]	185	339
Long-term future income tax liabilities	74	74
<b>Total liabilities</b>	<b>57,772</b>	<b>54,871</b>
Commitments and contingencies [note 5]		
<b>Shareholders' (deficit) equity</b>		
Capital stock [note 8]	19,117	19,472
Warrants [note 8]	69	1,531
Contributed surplus [note 8]	3,283	1,567
Equity component of convertible note obligation	1,951	1,951
Deficit	(27,922)	(24,173)
<b>Total shareholders' (deficit) equity</b>	<b>(3,502)</b>	<b>348</b>
	<b>54,270</b>	<b>55,219</b>

See accompanying notes

On behalf of the Board:

John McKimm  
Director

John Gillies  
Director

**Brainhunter Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
[unaudited]  
[in thousands, except per share information]

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>
	\$	\$	\$	\$
<b>Revenue</b>	52,701	60,290	106,921	118,683
Cost of revenue	46,055	51,862	92,530	101,594
<b>Gross profit</b>	<b>6,646</b>	<b>8,428</b>	<b>14,391</b>	<b>17,089</b>
<b>Expenses</b>				
Other staffing costs	4,914	5,849	10,006	10,950
Selling, general and administrative	2,185	4,010	3,771	6,310
	<b>7,099</b>	<b>9,859</b>	<b>13,777</b>	<b>17,260</b>
Income before the following	<b>(453)</b>	<b>(1,431)</b>	<b>614</b>	<b>(171)</b>
Interest expense	605	873	1,277	1,749
Interest expense - accreted <i>[note 6]</i>	83	410	400	745
Amortization				
Property, plant and equipment	167	172	342	350
Intangible assets	1,026	1,094	2,065	2,215
Financing Cost	462	100	530	100
	<b>2,343</b>	<b>2,649</b>	<b>4,614</b>	<b>5,159</b>
Loss before income taxes	<b>(2,796)</b>	<b>(4,080)</b>	<b>(4,000)</b>	<b>(5,330)</b>
Recovery of current income taxes	—	(1,547)	—	(1,547)
Recovery of future income taxes	—	(5)	—	(221)
<b>Net loss from continuing operations</b>	<b>(2,796)</b>	<b>(2,528)</b>	<b>(4,000)</b>	<b>(3,562)</b>
Discontinued Operations <i>[note 11]</i>				
Income from discontinued operations	—	(37)	—	4
Gain from disposal of discontinued operations (net of tax)	125	5,445	250	5,445
<b>Net profit (loss) from discontinued operations</b>	<b>125</b>	<b>5,408</b>	<b>250</b>	<b>5,449</b>
<b>Net loss for the period</b>	<b>(2,671)</b>	<b>2,880</b>	<b>(3,750)</b>	<b>1,887</b>
Deficit, beginning of period	<b>(25,251)</b>	<b>(12,831)</b>	<b>(24,172)</b>	<b>(11,838)</b>
<b>Deficit, end of period</b>	<b>(27,922)</b>	<b>(9,951)</b>	<b>(27,922)</b>	<b>(9,951)</b>
<b>Loss per share</b> <i>[note 8[e]]</i>				
Continuing Operations - Basic and diluted	<b>(0.06)</b>	<b>(0.09)</b>	<b>(0.09)</b>	<b>(0.12)</b>
Discontinued Operations - Basic	—	<b>0.16</b>	—	<b>0.16</b>
Discontinued Operations - Basic and diluted	—	<b>0.14</b>	—	<b>0.14</b>

*See accompanying notes*

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(2,796)	(2,528)	(4,000)	(3,562)
Add (deduct) items not involving cash				
Current income taxes	—	(1,547)	—	(1,547)
Future income taxes	—	(5)	—	(221)
Loss on disposal of fixed assets	8	—	8	6
Accretion of interest	83	410	400	745
Amortization of deferred lease inducement and provisions	(28)	(31)	(57)	(51)
Amortization of provision for lease restructuring	(33)	(62)	(76)	(123)
Stock-based compensation expense	5	31	12	76
Amortization of property, plant and equipment	167	172	342	350
Amortization of intangible assets	1,026	1,094	2,065	2,215
	<u>(1,568)</u>	<u>(2,466)</u>	<u>(1,306)</u>	<u>(2,112)</u>
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	<u>3,766</u>	<u>3,806</u>	<u>(111)</u>	<u>790</u>
<b>Cash provided by (used in) operating activities</b>	<u><b>2,198</b></u>	<u><b>1,340</b></u>	<u><b>(1,417)</b></u>	<u><b>(1,322)</b></u>
<b>FINANCING ACTIVITIES</b>				
Exercise of common share options	—	—	—	36
Loans to related parties <i>[note 3]</i>	(58)	(410)	(264)	(410)
Purchase of common shares	(76)	—	(113)	—
Proceeds from (repayment of) term bank credit facility	(2,035)	(6,896)	1,986	(2,490)
Repayment of long-term debt <i>[note 6]</i>	(110)	(785)	(329)	(2,201)
<b>Cash provided by (used in) financing activities</b>	<u><b>(2,279)</b></u>	<u><b>(8,091)</b></u>	<u><b>1,280</b></u>	<u><b>(5,065)</b></u>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(62)	(158)	(139)	(535)
Increase in other assets	18	89	26	61
Contingent payments relating to prior years' acquisitions	—	(135)	—	(135)
<b>Cash used in investing activities</b>	<u><b>(44)</b></u>	<u><b>(204)</b></u>	<u><b>(113)</b></u>	<u><b>(609)</b></u>
<b>Net cash flows used for continuing operations</b>	<u><b>(125)</b></u>	<u><b>(6,955)</b></u>	<u><b>(250)</b></u>	<u><b>(6,996)</b></u>
<b>Cash provided from discontinued operations</b>				
Cash provided by (used in) operating activities of discontinued operations	—	(37)	—	4
Cash provided from the disposal of discontinued operations <i>[note 11]</i>	125	5,445	250	5,445
Recovery of current income taxes	—	1,547	—	1,547
<b>Net cash flows provided from discontinued operations</b>	<u><b>125</b></u>	<u><b>6,955</b></u>	<u><b>250</b></u>	<u><b>6,996</b></u>
<b>Net increase in cash during the period</b>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
Cash, beginning of period	—	—	—	—
<b>Cash, end of period</b>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>—</b></u>
<b>Supplemental cash flow information</b>				
Interest paid	605	866	1,277	1,516
Additions to capital assets - non-cash	—	—	—	245

*See accompanying notes*

**Brainhunter Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

[unaudited]

March 31, 2009

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**[a] Basis of presentation**

These consolidated financial statements include the accounts of Brainhunter Inc. and, from the respective dates of acquisition of control, its wholly owned subsidiaries, collectively referred to herein as (the "Company"). All significant intercompany balances and transactions have been eliminated on consolidation.

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

The Company has incurred losses from continuing operations over the past several years and as at March 31, 2009 had a working capital deficiency. The Company was in breach of its financial covenants in its \$26 million Term Facility Agreement ("Term Facility") with its bank as at March 31, 2009, which covenants have been waived. The Term Facility expired October 15, 2008, but the bank has agreed to extend the Term Facility to September 30, 2009 subject to a Standstill Agreement ("Agreement") executed April 3, 2009, as described in Note 17. In addition, as of May 7, 2009, the Company continues to negotiate with its convertible lenders in order to refinance \$7,756 due December 2008 and \$2,586 due February 2009. The Company is committed to pursuing a course of action leading to a privatization of the Company or a refinancing resulting in the bank and other debtholders being repaid. The Company's ability to continue as a going concern is dependent upon the Company's ability to retain the ongoing support of its bank and execute the privatization or refinancing and generate profitable operations. The outcome of these matters is uncertain.

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

**[b] Change in accounting policy**

**General Standards on Financial Statement Presentation**

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

**Goodwill and Intangible Assets**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

[unaudited]

March 31, 2009

**Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA issued the Emerging Issues Committee (EIC) Abstract EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities,” effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, “Financial Instruments—Recognition and Measurement.” It states that an entity’s own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. This new standard had no impact on the Company’s consolidated financial statements for the quarter ended March 31, 2009.

**[c] Recently issued accounting pronouncements**

**International Financial Reporting Standards (“IFRS”)**

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

**Business Combinations**

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

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

## **Brainhunter Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

[unaudited]

March 31, 2009

#### **[d] Revenue recognition**

The Company provides computer and engineer consultant placements to customers based on written agreements. Revenue from contracts that is earned over a period of time is recognized monthly when clients are billed for hours worked at agreed rates. Other one-time fees earned for individual placements are recognized in the month the individual commences the new job.

The Company enters into written contracts with customers to complete specific software consulting projects. Customer billings are prepared monthly based on hours worked and agreed rates, at which time revenue is recognized. To a significantly lesser degree, certain other contracts are fixed-price, for which revenue is recognized monthly using the percentage of completion basis.

Service revenue on fixed-price contracts is recognized on a percentage of completion basis whereby revenue is recorded at the estimated net realizable value of work completed to date. Estimated losses on contracts in progress are recognized when known. Deferred revenue represents amounts billed in advance of satisfying the related service.

The Company earns revenue from software licenses for in-house developed software that is deferred and amortized over the term of the license. Software implementation revenue is recognized in the period the implementation is completed.

The Company's accounting policy complies with the revenue determination requirements set forth in EIC-142, "Revenue Arrangements with Multiple Deliverables", relating to the separation of multiple deliverables into individual accounting units with determinable fair values.

#### **[e] Property, plant and equipment**

Capital assets are recorded at cost, less related investment tax credits. Amortization is provided for over the estimated useful lives of the related assets at the following annual rates and methods:

Furniture and office equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	100%
Leasehold improvements	Straight-line over the lease term

#### **[f] Goodwill**

Goodwill represents the excess of the purchase consideration paid over the fair value of identifiable net assets of acquired businesses. Goodwill is tested for impairment annually on June 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and deficit.

**Brainhunter Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

[unaudited]

March 31, 2009

**[g] Intangible assets**

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

**[h] Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax value of assets and liabilities and for the benefit of tax losses that are carried forward to offset future years' current taxes payable if they are likely to be realized. Future tax assets and liabilities are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based upon available information, it is more likely than not that some of or all of the future income tax assets may not be realized.

**[i] Deferred lease inducements**

Leasehold inducements comprise free rent and leasehold improvement incentives. Leasehold inducements are deferred and amortized to reduce rental expense on a straight-line basis over the term of the related lease.

**[j] Research and development**

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

**[k] Investment tax credits**

Investment tax credits relating to qualifying research and development expenditures are recorded as a reduction from the expenditures or assets to which they relate and there is reasonable assurance that the investment tax credits will be realized.

**[l] Foreign currency translation**

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

**[m] Use of estimates and assumptions**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the allowance for potentially uncollectible accounts receivable, accrued liabilities, the length of product cycles and the related useful life of capital assets, providing for the recovery of investment tax credits, and providing for a valuation allowance for future income tax credits and the classification of the current year's benefit expected to be realized, all of which are based on management's best estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on these consolidated financial statements of changes in estimates in future periods could be significant. Actual results could differ from those estimates.

[unaudited]

March 31, 2009

**[n] Impairment of long-lived assets**

The Company reviews long-lived assets such as capital assets and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of the assets exist and the carrying value is greater than the net recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

**[o] Stock-based compensation**

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at the fair value at the grant date using the Black-Scholes valuation model and charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus.

**[p] Financial Instruments**

Upon adoption of CICA Handbook Section 3855, the Company designated its accounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, debt and the term bank facility are classified as other financial liabilities and measured at amortized cost. The Company had no financial instruments classified as available-for-sale, held-for-trading or held-to-maturity during the period ended March 31, 2009.

The fair values of the Company's current assets and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair market value of long-term debt approximates carrying value based on the Company's current borrowing rates for similar types of borrowing arrangements.

**[q] Earnings per share**

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

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

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

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

[unaudited]

March 31, 2009

**2. PROPERTY, PLANT AND EQUIPMENT**

Capital assets consist of the following:

	<b>March 31, 2009</b>		<b>September 30, 2008</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Cost</b>	<b>Accumulated amortization</b>
	\$	\$	\$	\$
Furniture and office equipment	2,221	1,694	2,205	1,637
Computer equipment	5,667	4,678	5,600	4,553
Computer software	1,631	1,563	1,624	1,517
Leasehold improvements	1,740	503	1,733	423
	11,259	8,438	11,162	8,130
Less accumulated amortization	8,438		8,130	
	<b>2,821</b>		<b>3,032</b>	

**3. RELATED PARTY TRANSACTIONS**

[a] Due from related parties:

	<b>March 31, 2009</b>	<b>September 30, 2008</b>
	\$	\$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms. These loans are guaranteed by the Chairman of the Company	330	175
Loans to the Chairman of the Company, fully collateralized by holding \$468 of Convertible Notes issued by the Company in 2005 as part of a financing of \$7,856 as described in Note 6. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes. The term of the loan has been extended co-incident with that of the Term Notes as described in Note 17.	468	410
Loan to the President of the Company, fully collateralized by convertible notes issued by the Company in 2005 as part of a financing of \$7,856 as described in Note 6. The loan bears interest at 8% and is repayable on November 11, 2008, coincident with the repayment of the convertible notes. The term of the loan has been extended co-incident with that of the Term Notes as described in Note 17.	319	268
	<b>1,117</b>	<b>853</b>

The fair value of the loans to companies related to the Chairman of the Company cannot be determined as there are no fixed repayment terms.

[b] Long term debt:

Certain long-term debt of the Company totaling \$3,405 (2008 - \$4,187) is held by senior executives and directors of the Company. This debt is recorded at fair market value as the debt held by related parties has the same terms as debt held by unrelated debt-holders.

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

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

[unaudited]

March 31, 2009

**4. GOODWILL AND INTANGIBLE ASSETS**

Goodwill consists of the following:

	<b>March 31, 2009</b>	<b>September 31, 2008</b>
	\$	\$
<b>Balance, beginning of period</b>	6,571	20,233
Impairment	—	(13,662)
<b>Balance, end of year</b>	<b>6,571</b>	<b>6,571</b>

The Company completed step one of the goodwill impairment test during the third quarter of 2008. In performing the goodwill assessment, it used current market capitalization, discounted cash flows, and other factors as the best evidence of fair value. After completing step one, the Company determined that goodwill was potentially impaired since the estimated fair value of the Company was less than the carrying value. As a result, the Company estimated the step two goodwill impairment by determining the implied fair value of goodwill in the same manner as if it had acquired the Company as of the date of the step one assessment. As a result, the Company recorded a goodwill impairment charge of \$13,662 in fiscal 2008.

Intangible assets consist of the following:

	<b>March 31, 2009</b>		<b>September 30, 2008</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Cost</b>	<b>Accumulated amortization</b>
	\$	\$	\$	\$
Contracts	2,176	2,176	2,176	2,176
Non-competition agreements	685	685	685	573
Customer relationships	16,370	12,457	16,370	11,123
Developed software	6,112	4,372	6,112	3,753
Other	392	392	392	392
	25,735	20,082	25,735	18,017
Less accumulated amortization	20,082		18,017	
	<b>5,653</b>		<b>7,718</b>	

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

[unaudited]

March 31, 2009

**5. COMMITMENTS AND CONTINGENCIES***Lease commitments*

The Company has operating leases for its premises, furniture and fixtures and certain computer and communications equipment, as well as certain purchase commitments. The future minimum annual lease payments for the remaining six months of 2009, next four years and thereafter is as follows:

2009	751
2010	1,467
2011	1,459
2012	1,480
2013	1,459
Thereafter	2,145
	<hr/>
	<b>8,761</b>

*Contingencies*

During the ordinary course of business activities, the Company may be a party to claims and may be contingently liable for litigation. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the Company.

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

[unaudited]

March 31, 2009

**6. LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>March 31, 2009</b>	<b>September 30, 2008</b>
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or \$75 due March 10, 2006. The amount is payable on demand and is classified as a current liability.	77	77
Acquisition obligation of the Company to pay \$458 on March 10, 2006 in common stock of the Company based on the weighted average trading price for the previous twenty days or, at the Company's option, in cash, however the holders have the right to refuse a cash offer and elect to accept shares. The amount is payable on demand and is classified as a current liability.	200	200
AJJA acquisition vendor take-back loan of \$2,200 non-interest bearing, repayable \$37 monthly for 60 months with the final payment due October 31, 2010	493	647
Debenture of \$5,000 repayable on December 15, 2008, paying interest-only quarterly at 12%, collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank ( <i>notes 6 [a] and 17</i> )	5,442	5,368
Convertible term notes of \$7,756 with a term of three years, repayable at maturity in November 2008, with quarterly payments of interest at 8%, collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture, and at the holders' option, convertible into common shares of the Company at a price of \$1.50 per share; fair value of conversion rights added to shareholders' equity ( <i>notes 6[b] and 17</i> )	7,756	7,726
Convertible term notes of \$2,586 due February 2, 2009, repayable at maturity with quarterly payments of interest at 10% payable in cash or shares at holder's option, collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture, and at the holder's option, convertible into common shares of the Company at a price of \$0.75 per share; fair value of conversion rights added to shareholders' equity ( <i>notes 3[b], 6[c] and 17</i> )	2,586	2,465
	<hr/> 16,554	<hr/> 16,483
Less: current portion	16,369	16,144
	<hr/> <b>185</b>	<hr/> <b>339</b>

*Repayment of Long Term Debt*

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

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

[unaudited]

March 31, 2009

	\$
2009	16,369
2010	185
	<b>16,554</b>

Included in interest expense for the three month period is \$384 relating to long-term debt [2008 - \$438]. All accreted interest expense of \$83 relates to long term debt [2008 - \$410].

[a] The Company has an outstanding debenture of \$5,000, originally repayable December 15, 2008, paying interest only during the term on a quarterly basis at 12% per annum. As described in Note 17, subsequent to quarter end, the Company renegotiated the maturity date to September 30, 2009. The debenture is collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank. The lender was issued 1,000,000 common share purchase warrants of the Company, exercisable at \$1.00 per common share at any time, with total return to the lender guaranteed at 15%. These warrants expired prior to March 31, 2009. The interest guarantee is considered to be an embedded derivative and has been valued at \$442 [2008 - \$302] and is included in the outstanding obligation at March 31, 2009.

[b] The Company has convertible term notes outstanding of \$7,756 originally maturing by December 14, 2008, paying interest quarterly only during the term at 8% per annum. Subsequent to quarter end, the Company was unable to repay this obligation on the original maturity date and is currently in the process of refinancing this obligation as described in Note 17. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture (see [a] above). The notes are convertible at \$1.50 of face value per Company common share at any time. The Company also issued 500 common share purchase warrants per \$1,000 face value of convertible debt, exercisable at \$1.00 per common share at any time. 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. These warrants expired prior to March 31, 2009. 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] The Company has convertible term notes outstanding of \$2,586 with a term of two years, originally maturing in February 2009. Subsequent to year end, the Company was unable to repay this obligation on the original maturity date and is currently in the process of refinancing this obligation as described in Note 17. Interest accrues during the term at 10% per annum, compounding monthly. Subject to certain conditions, the note-holders may have interest paid to them quarterly in shares of the Company. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank and the debenture (see [a] above). The notes are convertible at \$0.75 of face value per Company common share at any time, and were accompanied by 50 common share purchase warrants of the Company per \$100 face value, exercisable at \$0.60 per common share at any time. These warrants expired prior to March 31, 2009. The Company retains the option to require holders of these convertible term notes to convert or redeem them at any time in increments of \$250. The following assumptions were used to estimate the fair value of the share purchase warrants:

Risk-free interest rates	4.06%
Expected warrant life	2 years
Expected dividend yield	Nil
Stock volatility	60%

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

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

[unaudited]

March 31, 2009

**7. TERM BANK FACILITY**

At March 31, 2009, the Company had a revolving demand credit facility of \$26 million from a Schedule "A" bank, bearing interest at prime plus 0.5% to 2.0%, depending on a specific bank covenant ratio, and which was collateralized by a general security agreement that constituted a first charge over all the assets of the Company. The credit facility expired on October 15, 2008. Subsequent to the balance sheet date, the facility was extended to September 30, 2009, as part of a new financing arrangement as described in Note 17. It is classified as a current obligation.

	<b>March 31, 2009</b>	<b>September 30, 2008</b>
	\$	\$
Outstanding cheques net of cash on hand	(447)	(642)
Bank operating loan	(16,947)	(14,767)
	<b>(17,394)</b>	<b>(15,409)</b>

**8. CAPITAL STOCK****[a] Authorized**

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no fixed dividends and no par value

Unlimited number of non-cumulative, non-redeemable, non-retractable,

convertible, voting Series A preferred shares with no fixed dividends and no par value

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[unaudited]

March 31, 2009

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

	Common shares #	Warrants #	Stock options #
<b>Balance, December 31, 2008</b>	<b>47,142,175</b>	<b>1,909,125</b>	<b>2,175,000</b>
Pursuant to expiry of warrants	—	(1,393,000)	—
Pursuant to normal course issuer bid [i]	(615,500)	—	—
<b>Balance, March 31, 2009</b>	<b>46,526,675</b>	<b>516,125</b>	<b>2,175,000</b>

	Capital stock				
	Common shares \$	Common shares pledged as security [iii] \$	Total \$	Warrants \$	Contributed surplus \$
<b>Balance, December 31, 2008</b>	<b>20,707</b>	<b>(1,320)</b>	<b>19,387</b>	<b>1,531</b>	<b>1,622</b>
Pursuant to normal course issuer bid [i]	(270)	—	(270)	—	194
Pursuant to expiry of warrants	—	—	—	(1,462)	1,462
Stock-based expense [ii]	—	—	—	—	5
<b>Balance, March 31, 2009</b>	<b>20,437</b>	<b>(1,320)</b>	<b>19,117</b>	<b>69</b>	<b>3,283</b>

**Brainhunter Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**[unaudited]  
March 31, 2009

[i] In April, 2008, the Company commenced a Normal Course Issuer Bid (“NCIB”) to purchase for cancellation up to 2,197,921 of its common shares, approximately 5% of the common shares issued and outstanding as of March 31, 2008. For the period ended March 31, 2009, the Company had purchased for cancellation 615,500 common shares for an aggregate purchase price of \$76, of which \$194 has been charged to contributed surplus and \$270 to reduce capital stock. The NCIB expired on April 3, 2009.

[ii] See note 9, stock-based expense.

[iii] The Company has advanced funds to key senior employees to acquire shares of the Company. At March 31, 2009, the balance of such loans totaled \$1,320 of which only \$200 bears interest at 5% per annum to be paid September 30, 2009. The remaining loans are non-interest bearing with various terms of repayment. The balances at each period end have been recorded as offsetting amounts to capital stock.

**[c] Options**

The following table summarizes the stock options outstanding and exercisable for the period ended March 31, 2009:

Exercise price	Expiry	Options outstanding				Exercised During Period	March 31, 2009	Options Exercisable March 31, 2009
		December 31, 2008	Issued During Period	Expired During Period				
		#	#	#	#			
0.45	March, 2013	275,000	—	—	—	275,000	237,500	
0.80	July, 2009	250,000	—	—	—	250,000	250,000	
0.80	December, 2012	100,000	—	—	—	100,000	33,333	
1.00	November, 2011	1,550,000	—	—	—	1,550,000	1,433,333	
		<b>2,175,000</b>	—	—	—	<b>2,175,000</b>	<b>1,954,166</b>	

**[d] Warrants**

The following table summarizes the warrant activity for the period ended March 31, 2009:

Exercise price	Expiry	Warrants outstanding				March 31, 2009	Warrants Exercisable March 31, 2009
		December 31, 2008	Issued During Period	Exercised During Period	Expired During Period		
		#	#	#	#		
0.60	February 2, 2009	1,293,000	—	—	(1,293,000)	—	—
1.00	January 9, 2009	100,000	—	—	(100,000)	—	—
1.00	May, 2009	266,125	—	—	—	266,125	266,125
1.00	May, 2010	250,000	—	—	—	250,000	250,000
		<b>1,909,125</b>	—	—	<b>(1,393,000)</b>	<b>516,125</b>	<b>516,125</b>

**Brainhunter Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**[unaudited]  
March 31, 2009**[e] Loss per share**

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

<b>Three months ended March 31,</b>	<b>2009</b>	<b>2008</b>
	<b>#</b>	<b>#</b>
Basic	45,239,534	44,008,411
Diluted	45,239,534	48,643,175

**9. STOCK-BASED EXPENSE**

Key valuation assumptions differ for each tranche issued and include estimated terms from two to four years, risk-free interest rates from 2.45% to 4.00%, and stock volatilities from 30.00% to 58.91% based on equivalent-term trading histories. The charge to earnings for the period ended March 31, 2009 for stock options and warrants was \$5 [2008 - \$31].

**10. 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 six months ended</u>	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	\$	\$	\$	\$
Accounts receivable	(608)	1,042	(984)	(197)
Deposits and prepaid expenses	612	18	(104)	(229)
Accounts payable and accrued liabilities	3,686	2,680	953	1,120
Deferred revenue	76	66	24	96
	<b>3,766</b>	<b>3,806</b>	<b>(111)</b>	<b>790</b>

**Brainhunter Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of dollars, except per share information)**[unaudited]  
March 31, 2009**11. DISCONTINUED OPERATIONS**

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

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

Pursuant to the Agreements, the remaining \$500 of the consideration were paid to the Company at the rate of \$125 per quarter, as agreed quarterly transition milestones were achieved. In the period ended March 31, 2009, the Company received \$125 for achieving the last milestones, aggregated to a total of \$500.

[b] The Company’s results of operations related to discontinued operations for the period ended March 31, 2009 and 2008 are shown below:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>
	\$	\$	\$	\$
Revenue	—	330	—	1,067
Costs and expenses	—	176	—	589
	—	154	—	478
Sales and marketing	—	168	—	410
General and administrative	—	23	—	64
Income before gain on disposition	—	(37)	—	4
Gain on disposition (net of tax)	125	5,445	250	5,445
Income before income taxes	125	5,408	250	5,449
Income tax expense	—	—	—	—
<b>Net income</b>	<b>125</b>	<b>5,408</b>	<b>250</b>	<b>5,449</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[unaudited]

March 31, 2009

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****[a] Credit risk**

Credit risk arises from exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counter parties, taking into account their financial position, past experience and other factors. The Company manages its credit risk with respect to accounts receivable primarily by dealing with credit worthy customers. Substantially all of the Company's revenue and the resulting accounts receivable are from large companies and governmental agencies.

A significant portion of the Company's revenue is derived from the Federal Government of Canada. During the period ended March 31, 2009, 29% [2008 – 34%] of revenue related to various Federal Government of Canada agencies and departments.

At March 31, 2009, the accounts receivable from all Federal Government of Canada were 28% of the Company's total accounts receivable [2008 - 30%].

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

	<b>March 31, 2009</b>
	<b>\$</b>
Accrued but not invoiced trade receivables	2,527
Invoiced receivables within normal payment terms	34,111
Invoiced receivables past normal payment terms but not impaired	82
Invoiced receivables impaired	-
General receivables	656
Allowance for doubtful accounts	(515)
<b>Total accounts receivable, net</b>	<b>36,861</b>

**[b] 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 March 31, 2009, the Company recorded a foreign exchange loss of \$34 [2008 - \$110 loss]. Increase in the value of the Canadian dollar can reduce net earnings and declines can result in increased earnings, a +/- 5% change in the key foreign currencies would, everything else being equal, have had the following effect on the Company's reported net loss for the three months ended March 31, 2009 of approximately +/- \$64.

**[c] 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 March 31, 2009, the total bank facility outstanding was \$17,394 which is subject to movements in floating interest rates. A +/- 1% change in interest rates would, everything else being equal, have an effect on the Company's net loss for the three months ended March 31, 2009 of approximately +/- \$43.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

[unaudited]  
March 31, 2009

**[d] Liquidity risk**

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

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

**13. MANAGEMENT OF CAPITAL**

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

As at March 31, 2009, total managed capital was \$30,446 [September 30, 2008 - \$32,240], comprised of shareholders' (deficit)/equity of (\$3,502) [September 30, 2008 - \$348], term bank facility of \$17,394 [September 30, 2008 - \$15,409] and interest-bearing debt of \$16,554 [September 30, 2008 - \$16,483].

**14. SEGMENT REPORTING**

Management determined that substantially all the Company's operations are in one business segment, that of human capital management, and hence the Company reports all results as one segment.

**15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS**

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

**16. UNAUDITED INTERIM FINANCIAL STATEMENTS**

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

[unaudited]

March 31, 2009

## **17. SUBSEQUENT EVENTS**

### **Term Bank Credit Facility**

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

In addition, the Company is required to provide to the bank by May 18, 2009, agreements from the Convertible Note holders that they have agreed to postpone payment of principal and certain interest payments until September 30, 2009 or until the bank is repaid. The Company intends to satisfy this condition by replacing the Convertible Notes with Term Notes as described below.

### **Debenture**

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

### **Term Notes**

At May 7, 2009, the Company is in the process of negotiating the issuance of \$11 million in Term Notes which would be subordinated to the term bank credit facility and the debenture. The Term Notes are expected to be issued with a term of January 31, 2010, paying 15% per annum interest payable monthly based on certain financial ratios and carrying 5.5 million share purchase warrants, exercisable to March 31, 2011 at a price of \$0.20 per share. The term notes are redeemable with no penalty at any time by the Company on 60 days notice. These Term Notes are intended to replace Convertible term notes in place at March 31, 2009 as described in Note 6 [[b] and [c]] Long-term Debt at carrying values of \$7,756 and \$2,586.