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.

Ernst & Young LLP

Chartered Accountants

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

Brainhunter Inc.
CONSOLIDATED BALANCE SHEET

As at September 30	2006	2005
ASSETS		
Current		
Restricted short-term investment *[note 10]*	125,000	125,000
Accounts receivable	39,596,147	16,223,905
Investment tax credits recoverable *[note 3]*	-	250,000
Deposits and prepaid expenses	762,314	312,618
Future income tax asset *[note 6]*	939,664	523,432
Total current assets	**41,423,125**	**17,434,955**
Capital assets, net *[note 4]*	6,755,710	5,701,846
Investment tax credits recoverable *[note 3]*	1,373,122	1,094,507
Deferred financing costs *[note 15]*	1,285,194	434,000
Intangible assets, net of amortization *[note 7]*	12,447,886	3,262,222
Goodwill *[note 7]*	20,232,800	9,382,402
Due from related parties *[note 5]*	190,150	282,159
Future income tax asset *[note 6]*	-	500,496
	83,707,987	**38,092,587**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 9]*	-	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 *[note 10]*	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 *[note 10]*	13,818,884	760,951
Term bank facility *[note 11]*	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 *[note 8]*		
Shareholders' equity		
Capital stock *[note 12]*	20,309,153	20,484,854
Warrants *[note 12]*	1,423,498	68,945
Contributed surplus *[notes 12 and 13]*	1,082,508	973,744
Equity component of convertible note obligation *[note 12]*	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 *[note 10]*	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 *[note 6]*	(1,461,788)	1,853,488
Net loss for the year	**(4,700,372)**	**(3,390,758)**
Loss per share *[note 12[f]]*		
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 *[note 14]*	(1,368,611)	(3,258,369)
Cash used in operating activities	**(936,595)**	**(2,818,906)**
FINANCING ACTIVITIES		
Exercise of common share purchase warrants *[note 12]*	-	584,500
Exercise of common share options *[note 12]*	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 *[note 12]*	(242,000)	(104,289)
Purchase of common shares *[note 12]*	-	(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 *[note 10]*	(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 *[note 2]*	(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 *[note 9]*	(644,821)	767,348
Bank indebtedness, end of year *[note 9]*	-	**(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

[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.

[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 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:

	$
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

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

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.

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
	653,297

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
	653,297

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:

	$
Working capital deficiency	(137,266)
Capital assets	12,257
Intangible assets - customer relationships	170,000
Intangible assets - existing contracts	30,000
Goodwill	15,689
Future income tax assets	227,760
	318,440

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

	$
Issue of 150,000 common shares at a price of $1.00 per share	150,000
Issue of 266,125 shareholder warrants, at fair value	66,154
Long-term debt	49,307
Transaction costs	52,979
	318,440

In accordance with Canadian GAAP, the value of the 150,000 common shares was determined based on the average market price of the Company's common shares for the two trading days prior to the parties' agreement and the two trading days following the agreement.

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

Customer relationships	4 years
Existing contracts	6 months

Additionally, as part of the agreements with the shareholders of Promethean, the Company allocated employee retention warrants on May 5, 2005 to purchase 250,000 common shares of the Company. These warrants vest under terms similar to those of the Company's employee stock option plan.

3. INVESTMENT TAX CREDITS RECOVERABLE

	2006	**2005**
	$	$
Investment tax credits recoverable	1,363,127	1,363,127
Income taxes (payable) recoverable	9,995	(18,620)
	1,373,122	1,344,507
Less current portion	-	250,000
	1,373,122	1,094,507

4. CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	$	$	$	$
Furniture and office equipment	2,065,992	1,419,803	1,617,213	1,051,852
Computer equipment	4,833,849	3,973,747	3,224,566	2,588,757
Computer software	1,375,157	1,199,296	976,611	815,961
Developed software	5,824,711	1,492,042	4,914,667	1,092,040
Leasehold improvements	989,491	248,602	925,513	408,114
	15,089,200	8,333,490	11,658,570	5,956,724
Less accumulated amortization	8,333,490		5,956,724	
	6,755,710		5,701,846	

Amortization of capital assets totaled $1,074,318 [2005 - $899,403] for the year ended September 30, 2006. Included in developed software at September 30, 2006 of $5,824,711 [2005 - $4,914,667] of which $3,824,711 [2005 - $2,914,667] is related to internal software projects for which amortization has not yet commenced since the related software has not yet been deployed. Once the software is deployed, the software will be amortized on a straight-line basis over five years.

5. DUE FROM RELATED PARTIES

	2006	2005
	$	$
Loans to companies related to the Chairman of the Company, non-interest bearing and with no fixed repayment terms	190,150	267,727
Miscellaneous advances	-	14,432
	190,150	282,159

Amounts due from related parties are non-interest bearing with no stated terms of repayment.

6. INCOME TAXES *[note 2]*

[a] The provision for (recovery of) income taxes consists of the following:

	2006	2005
	$	$
Current	-	3,411
Future	(1,461,788)	1,850,077
	(1,461,788)	1,853,488

[b] The provision for (recovery of) income taxes differs from the expense that would be obtained by applying the statutory tax rate to loss before income taxes as a result of the following:

	2006	2005
	$	$
Income tax recovery at statutory tax rate	(2,225,772)	(555,262)
Increase (decrease) in income taxes resulting from:		
Tax effect of expenses not deductible for income tax purposes	478,344	10,734
Increase in SR&ED investment tax credits	-	(121,144)
Change in future income tax liability on SR&ED investment tax credits	-	74,189
Change in valuation allowance	(2,678)	2,443,609
Ontario Corporate Minimum Tax	3,463	3,411
Change in statutory rates	(86,156)	-
Change in tax reserves	300,519	
Other	70,492	(2,049)
	(1,461,788)	1,853,488

[c] Future income tax assets (liabilities) consist of the following temporary differences:

	2006	2005
	$	$
Deferred lease inducement	125,442	119,279
Share issue costs	220,028	314,256
Loss carryforwards	6,382,092	9,170,233
Capital assets	(847,496)	(1,156,946)
Investment tax credits	(274,397)	(301,524)
Loan and lease reserves	230,831	-
Intangible assets	(4,093,353)	(983,787)
	1,743,147	7,161,511
Less valuation allowance	(3,240,717)	(6,137,583)
Less current portion	(939,664)	(523,432)
	(2,437,234)	500,496

[d] Expiry of losses and investment tax credits

As at September 30, 2006, the Company has non-capital losses of approximately $18,648,000 and investment tax credits of approximately $2,007,000 available to reduce future years' income for tax purposes. If not utilized, these losses and investment tax credits will expire as follows:

	Investment tax credits	Non-capital losses
	$'000	$'000
2007	-	2,068
2008	-	3,726
2009	-	638
2010	-	338
2011	-	1,779
2012	107	-
2013	413	-
2014	548	-
2015	595	5,829
2016	344	4,270
	2,007	18,648

7. GOODWILL AND INTANGIBLE ASSETS *[note 2]*

The variations in goodwill are as follows:

	2006	2005
	$	$
Balance, beginning of year	9,382,402	9,356,093
Goodwill arising on acquisitions		
V2H	-	10,620
Promethean	-	15,689
AJJA	6,375,685	-
iGate	4,474,713	-
Balance, end of year	**20,232,800**	9,382,402

Intangible assets are comprised of the following:

	2006		2005	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	$	$	$	$
Contracts	2,176,339	1,623,339	1,176,339	1,176,339
Non-competition agreements	685,000	337,000	185,000	185,000
Customer relationships	16,370,000	4,823,114	5,070,000	1,807,778
Other	391,764	391,764	391,764	391,764
	19,623,103	7,175,217	6,823,103	3,560,881
Less accumulated amortization	7,175,217		3,560,881	
	12,447,886		3,262,222	

8. 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 payments for the next five years and thereafter are as follows:

	$'000
2007	1,376
2008	1,293
2009	1,124
2010	943

2011	944
Thereafter	3,606
	9,286

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.

9. BANK INDEBTEDNESS

	2006 $	**2005** $
Bank overdraft	-	(644,821)
Bank operating loan	-	(9,933,660)
	-	(10,578,481)

At September 30, 2005, the Company had a revolving demand bank credit facility of $10,000,000, bearing interest at prime plus 1.5% which approximated 6.0% at September 30, 2005. The credit facility was collateralized by a general security agreement constituting a first charge over all the assets of the Company and was repaid through proceeds from the term facility arranged November 16, 2005 (see Note 11).

10. LONG-TERM DEBT *[note 2]*

Long-term debt consists of the following:

	2006 **$**	**2005** **$**
Promissory note, non-interest bearing, payable quarterly at the lesser of 2% of net sales of the Company or $75,000	165,368	161,387
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	458,382	444,933
Promissory note, non-interest bearing, payable yearly beginning October 2004, at the greater of $75,000 or a		

formula based on Protec's income	282,655	266,313
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	245,776	407,748
Present value of Promethean $49,307 acquisition obligation of 36 interest-only monthly payments of $1,500, discounted at 0.5% per month	27,124	44,255
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	125,000	125,000
AJJA acquisition convertible note obligation of $4,000,000, bearing interest tied to the 90-day treasury bill rate, repayable in quarterly $650,000 plus interest beginning December 31, 2006 and $675,000 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 in the amount of $877,427 have been added to shareholders' equity	3,470,518	-
AJJA acquisition vendor take-back loan of $2,200,000, non-interest bearing, repayable $36,667 monthly for 60 months	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	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 *[note 10 (a)]*	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 $1.50 per share; fair value of conversion rights in the amount of $677,259 have been added to shareholders' equity *[note 10 (b)]*	6,730,377	358,000
	17,958,262	1,807,636
Less: current portion	4,139,378	1,046,685
	13,818,884	760,951

Repayment of Long Term Debt
The planned repayment of long term debt is as follows. Of the amount repayable in Fiscal 2007, $458,000 is repayable in common shares of the Company:

	$'000
2007	4,362
2008	6,481
2009	7,115
	17,958

Included in interest expense is $1,273,821 relating to long-term debt [2005 - $80,574]. All accreted interest expense of $1,117,631 relates to long term debt [2005 - $55,855].

[a] On November 16, 2005 the Company issued a debenture of $5,000,000, repayable December 15, 2008, paying interest only during the term on a quarterly basis at 12% per annum. The debenture is collateralized by a floating charge on all assets, subordinated only to the general security agreement held by the Company's bank [see Note 11]. 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%. The Company has calculated the fair value of the debenture to be $4,640,030 by discounting the quarterly interest payments and the final principal payment using the guaranteed interest rate of 15%.

[b] During the year the Company issued convertible term notes of $7,856,000 with a term of three years, paying interest only during the term at 8% per annum. The notes are collateralized by a floating charge on the Company's assets, subordinated to the security of the Company's bank (see Note 11) and the debenture [see [a] above]. The notes are convertible at $1.50 of face value per Company common share at any time, and were accompanied by 500 common share purchase warrants of the Company per $1,000 face value, 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. 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%

11. 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.

On September 30, 2006, the Company was in breach of a bank covenant relating to a specific financial ratio. Subsequent to September 30, 2006, the bank amended the covenant at September 30, 2006 and for each quarter of Fiscal 2007. The Company expects to be in compliance with the amended covenants during Fiscal 2007.

Included in the amount shown for term bank facility is an amount of $2,649,397 representing the balance of outstanding cheques as at the balance sheet date.

12. CAPITAL STOCK

[a] Authorized

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no fixed dividends and no par value
Unlimited number of non-cumulative, non-redeemable, non-retractable, convertible, voting Series A preferred shares with no fixed dividends and no par value

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

	Common shares #	Series A preferred shares #	Warrants #	Stock options #
Balance, September 30, 2004	**40,363,031**	**4,614,681**	**3,211,478**	**4,509,945**
Pursuant to exercise of				
Warrants [i]	1,201,429	-	(1,201,429)	-
Stock options [i]	538,679	-	-	(538,679)
Pursuant to the issuance of common stock				
on acquisition of Promethean [iv]	150,000	-	516,125	-
Pursuant to expiry of warrants	-	-	(95,714)	-
Pursuant to normal course issuer bid [iii]	(29,409)	-	-	-
Balance, September 30, 2005	**42,223,730**	**4,614,681**	**2,430,460**	**3,971,266**
Pursuant to exercise of stock options	216,330	-	-	(216,330)
Pursuant to conversion of preferred shares [ii]	254,917	(254,917)	-	-
Pursuant to issue of warrants in connection with issue of $5,000,000 debenture [Note 10 (a)]	-	-	1,000,000	-
Pursuant to issue of warrants in connection with issue of $7,856,000 in convertible notes [Note 10 (b)]	-	-	3,928,000	-
Pursuant to issue of warrants in connection with obtaining a customer contract	-	-	100,000	-
Pursuant to issue of warrants as partial payment of fees for raising capital	-	-	800,000	-
Balance, September 30, 2006	**42,694,977**	**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, 2004	**18,050,137**	**(947,127)**	**2,378,045**	**19,481,055**	-	-
Change in accounting policy	-	-	-	-	-	757,648
Pursuant to exercise of:						
Warrants [i]	584,500	-	-	584,500	-	-
Stock options [i]	150,670	-	-	150,670	-	-
Pursuant to the issuance of common stock on acquisition of Promethean [iv]	150,000	-	-	150,000	68,945	-
Pursuant to pledging of common shares [vi]	-	(228,500)	-	(228,500)	-	-
Repayment of share purchase loans [vi]	-	332,789	-	332,789	-	-
Stock-based compensation expense [v]	-	-	-	-	-	243,376
Stock-based compensation expense related to stock options exercised [v]	27,280	-	-	27,280	-	(27,280)
Pursuant to normal course issuer bid [iii]	(12,940)	-	-	(12,940)	-	-
Balance, September 30, 2005	**18,949,647**	**(842,838)**	**2,378,045**	**20,484,854**	**68,945**	**973,744**
Pursuant to exercise of stock options	66,299	-		66,299	-	-
Pursuant to the conversion of preferred shares [ii]	131,364	-	(131,364)	-	-	-
Pursuant to pledging of common shares [vi]	-	(242,000)	-	(242,000)	-	-
Pursuant to issue of warrants in conjunction with the issue of $5,000,000 debenture (Note 10)	-	-	-	-	360,639	-
Pursuant to issue of warrants in conjunction with the issue of $7,856,000 convertible notes (Note 10)	-	-	-	-	911,856	-
Stock-based expense [v]	-	-	-	-	82,058	108,764
Balance, September 30, 2006	**19,147,310**	**(1,084,838)**	**2,246,681**	**20,309,153**	**1,423,498**	**1,082,508**

[i] During the year ended September 30, 2006, 216,330 stock options [2005 - 538,679] and no warrants [2005 - 1,201,429] were exercised resulting in cash receipts of $66,299 [2005 - $150,670] and $NIL [2005 - $584,500], respectively.

[ii] In April, 2006, 254,917 Series A Preferred Shares were converted to 254,917 Common Shares. 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.

[iii] In May 2004, the Company commenced a normal course issuer bid with the Toronto Stock Exchange to initiate purchases from time to time in accordance with the rules of the Toronto Stock Exchange. During the year ended September 30, 2005, the Company repurchased 29,409 common shares at a cost of $26,615, of which $12,940 has been charged to capital stock and $13,675 has been credited to deficit. These transactions concluded the normal course issuer bid.

[iv] Effective January 1, 2005, the Company issued 150,000 common shares and 266,125 share purchase warrants as partial consideration for the acquisition of Promethean [See Note 2]. The Company has reflected an estimated fair value of these warrants of $68,945 using the Black-Scholes option pricing model. The following assumptions were used to estimate the fair value of the share purchase warrants:

Risk-free interest rates	2.80% to 3.28%
Expected warrant life	3 years
Expected dividend yield	Nil
Stock volatility	49.63%

[v] See Note 13, Stock-Based Expense.

[vi] The Company has advanced funds to key senior employees to acquire shares of the Company. At September 30, 2006, the balance of such loans totalled $1,084,838 [2005 - $842,838] of which only $200,000 bears interest at 5% per annum to be repaid September 30, 2007. The remaining loans are non-interest bearing with various terms of repayment. The balances at each year end have been recorded as offsetting amounts to capital stock.

At September 30, 2006, the market value of the shares held as collateral for the loans was $1,384,283, based on the year-end closing price.

[c] Escrowed shares

Shares held in escrow at September 30, 2006 are as follows:

1. 150,000 common shares relating to the Protec acquisition released on October 28, 2006.
2. 66,000 common shares relating to the Prolink acquisition to be released on January 15, 2007.

[d] Options

The following table summarizes the stock options outstanding and exercisable for the year ended September 30, 2006:

		Options outstanding				
Exercise price	**Expiry**	**September 30, 2005**	**Issued During Period**	**Exercised During Period**	**September 30, 2006**	**Options Exercisable September 30, 2006**
$		#	#	#	#	#
0.30	July, 2007	1,190,132	-	(188,330)	1,001,802	1,001,802
0.35	February, 2008	344,467	-	(28,000)	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
1.35	May, 2009	270,000	-	-	270,000	180,000
		3,971,266	-	**(216,330)**	**3,754,936**	**3,664,936**

[e] Warrants

The following table summarizes the warrant activity for the year ended September 30, 2006:

		Warrants outstanding					
Exercise price	**Expiry**	**September 30, 2005**	**Issued During Period**	**Exercised During Period**	**Expired During Period**	**September 30, 2006**	**Warrants Exercisable September 30, 2006**
$		#	#	#	#	#	#
0.81	November, 2006	175,000	-	-	-	175,000	175,000
1.00	September 21, 2008	-	800,000	-	-	800,000	800,000
1.00	October 11, 2008	-	1,004,000	-	-	1,004,000	1,004,000
1.00	November 14, 2008	-	2,396,500	-	-	2,396,500	2,396,500
1.00	December 14, 2008	-	1,527,500	-	-	1,527,500	1,527,500
1.00	January 9, 2009	-	100,000	-	-	100,000	-
1.00	May, 2009	266,125	-	-	-	266,125	88,708
1.00	May, 2010	250,000	-	-	-	250,000	83,333
1.85	January, 2007	355,000	-	-	-	355,000	355,000
1.88	February, 2007	283,335	-	-	-	283,335	283,335
1.96	January, 2007	250,000	-	-	-	250,000	250,000
2.09	October, 2006	226,000	-	-	-	226,000	226,000
2.09	March, 2008	500,000	-	-	-	500,000	500,000
2.11	November, 2006	125,000	-	-	-	125,000	125,000
		2,430,460	5,828,000	-	-	8,258,460	7,814,376

[f] Loss per share

The following table details the weighted average number of common shares outstanding for each of the years ended September 30:

	2006	2005
	#	#
Basic	42,347,371	41,484,140
Diluted	42,347,371	41,484,140

As a result of the net loss for the year ended September 30, 2006, the following potentially dilutive securities have not been included in the calculation of diluted loss per share because to do so would have been anti-dilutive:

	2006	2005
	#	#
Stock options and purchase warrants	3,484,936	2,112,018
Sirius acquisition convertible note obligation	41,667	145,776
V2H acquisition convertible note obligation	-	199,848
Brainhunter.com convertible acquisition obligation	654,831	-
	4,181,434	2,457,642

[g] Equity component of convertible note obligation

	2006	2005
	$	$
Beginning balance	53,040	-
Vision2Hire convertible notes	-	53,040
AJJA convertible notes	877,427	-
8% Convertible notes	677,259	-
Ending balance	1,607,726	53,040

13. STOCK-BASED EXPENSE

Key valuation assumptions differ for each tranche issued and include estimated terms from 2 to 4 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 year ended September 30, 2006 for stock options and warrants was $118,801 [2005 - $243,376]. In addition, an amount of $72,021 was charged to deferred financing costs during the year.

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	2006	2005
	$	$
Accounts receivable	(7,751,038)	(2,951,164)
Investment tax credits recoverable	-	(743,610)
Deposits and prepaid expenses	(82,152)	(156,530)
Accounts payable and accrued liabilities	6,625,523	830,405
Deferred revenue	(160,944)	(237,470)
	(1,368,611)	(3,258,369)

15. DEFERRED FINANCING COSTS

The deferred financing costs recorded in 2005 and 2006 are related to the term bank facility (Note 11) and long-term debt (Note 10) obtained on November 16, 2005, to effect the acquisition of AJJA and iGate (Note 2).

	2006	2005
	$	$
Beginning balance October 1, 2005	434,000	200,000
Expenditures during the year	1,768,185	234,000
	2,202,185	434,000
Amortization during the year	(916,991)	-
Ending balance September 30, 2006	**1,285,194**	434,000

16. 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 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 year, 45.8% of revenues related to various Federal Government of Canada agencies and departments [2005 – 43.0%].

At year end, the accounts receivable from all Federal Government of Canada were 32% of the Company's total accounts receivable [2005 - 41%].

[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 2006 the Company recorded a $162,605 [2005 - $21,893] foreign exchange 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.

17. SEGMENT REPORTING

In the prior year, the Company reported two business segments. During the current year, 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.

18. SUBSEQUENT EVENT

On December 22, 2006, the Company's bank amended a specific financial ratio covenant at September 30, 2006 and for each quarter of Fiscal 2007. The Company expects to be in compliance with the amended covenants during Fiscal 2007.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 consolidated financial statements.