



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED**  
**SEPTEMBER 30, 2006 & SEPTEMBER 30, 2005**

**UNAUDITED – PREPARED BY MANAGEMENT**

# SYNERGEX CORPORATION

## **Responsibility for financial statements**

The accompanying unaudited interim consolidated financial statements for Synergex Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the annual December 31, 2005 audited consolidated financial statements of Synergex Corporation. Only changes in accounting information have been disclosed in these interim financial statements. These interim statements are presented on the accrual basis of accounting. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim financial statements, management is satisfied that these interim financial statements have been fairly presented.

## **Auditor involvement**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these financial statements.



Signed "David Aiello"  
President and Chief Executive Officer



Signed "Nick Blasutto"  
Chief Financial Officer

November 9, 2006

**SYNERGEX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2006 (unaudited)	December 31, 2005 (audited)	September 30, 2005 (unaudited)
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$7,448,556	\$ 6,378,456	\$ 6,416,124
Accounts receivable	27,209,061	36,482,772	23,249,700
Inventory	3,504,242	2,334,747	2,382,966
Prepaid expenses and sundry receivables	1,332,284	884,845	808,477
Income taxes receivable	<u>0</u>	<u>103,917</u>	<u>0</u>
	<u>39,494,143</u>	<u>46,184,737</u>	<u>32,857,267</u>
<b>Other</b>			
Future income taxes	148,500	432,000	247,000
Cash investment	247,500	247,500	247,500
Customer list	63,813	135,602	159,532
Other long term assets	104,087	0	0
Goodwill	50,001	0	0
Equipment	<u>3,157,654</u>	<u>2,680,949</u>	<u>2,328,650</u>
	<u>3,771,555</u>	<u>3,496,051</u>	<u>2,982,682</u>
	<u>\$43,265,698</u>	<u>49,680,788</u>	<u>\$35,839,949</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$24,656,952	31,921,638	\$22,353,406
Income taxes payable	1,095,000	1,030,389	585,055
Current portion of capital lease	117,690	117,690	56,422
Deferred revenue	<u>2,276,505</u>	<u>2,416,959</u>	<u>1,460,123</u>
	<u>28,146,147</u>	<u>35,486,676</u>	<u>24,455,006</u>
<b>Other</b>			
Obligations under capital lease	256,192	333,689	423,674
Deferred revenue	78,379	69,512	66,248
Future income taxes	<u>443,000</u>	<u>159,500</u>	<u>59,000</u>
	<u>777,571</u>	<u>562,701</u>	<u>548,922</u>
	<u>28,923,719</u>	<u>36,049,377</u>	<u>25,003,928</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	11,664,280	12,376,942	12,354,431
Contributed surplus	611,935	791,854	704,376
Retained earnings (deficit)	<u>2,065,765</u>	<u>462,615</u>	<u>(2,222,786)</u>
	<u>14,341,980</u>	<u>13,631,411</u>	<u>10,836,021</u>
	<u>\$43,265,698</u>	<u>\$49,680,788</u>	<u>\$35,839,949</u>

**SYNERGEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Three months ended September 30 2006</b>	<b>Three months ended September 30 2005</b>	<b>Nine months ended September 30 2006</b>	<b>Nine months ended September 30 2005</b>
Sales	\$37,040,554	\$29,800,684	\$92,245,276	\$94,187,143
Cost of sales	<u>32,846,220</u>	<u>25,357,738</u>	<u>79,414,934</u>	<u>82,061,749</u>
Gross profit	<u>4,194,334</u>	<u>4,442,946</u>	<u>12,830,342</u>	<u>12,125,394</u>
Expenses				
General and administrative	2,898,134	2,751,224	8,058,468	6,920,157
Sales expense	464,659	330,864	1,303,830	859,859
Interest and bank charges	31,821	33,521	115,350	137,166
Interest income	(96,940)	(41,914)	(300,378)	(115,803)
Amortization of equipment	188,192	170,585	546,496	496,387
Amortization of customer list	23,930	23,930	71,792	71,792
Employee termination costs	31,883	2,024	31,883	22,409
Business combination costs	<u>0</u>	<u>3,792</u>	<u>0</u>	<u>213,368</u>
	<u>3,541,679</u>	<u>3,274,026</u>	<u>9,827,441</u>	<u>8,605,335</u>
Income before income taxes	652,655	1,168,920	3,002,901	3,520,059
Provision for income taxes	<u>279,000</u>	<u>460,509</u>	<u>1,095,000</u>	<u>1,384,509</u>
Net income for the period	<u>\$373,655</u>	<u>\$708,411</u>	<u>\$1,907,901</u>	<u>\$2,135,550</u>

**Earnings Per Share**

**Weighted average number of common shares outstanding:**

Basic	111,578,285	109,712,285	111,578,285	109,712,285
Fully diluted	112,523,785	111,690,785	112,523,785	111,690,785
Earning per share				
Basic and Fully diluted	\$0.00	\$0.01	\$0.01	\$0.02

**SYNERGEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF**  
**RETAINED EARNINGS/ (DEFICIT)**  
**(unaudited)**

	<b>Three months ended September 30 2006</b>	<b>Three months ended September 30 2005</b>	<b>Nine months ended September 30 2006</b>	<b>Nine months ended September 30 2005</b>
Retained earnings/ (deficit), beginning of period	\$1,799,745	\$(2,843,565)	\$ 462,615	\$(4,170,887)
Net income for the period	373,655	708,411	1,907,901	2,135,550
Dividend on Series A Preference Shares	<u>(107,635)</u>	<u>(87,632)</u>	<u>(304,751)</u>	<u>(187,449)</u>
Retained earnings/ (deficit), end of period	<u>\$2,065,765</u>	<u>\$(2,222,786)</u>	<u>\$2,065,765</u>	<u>\$(2,222,786)</u>

**SYNERGEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	<b>Three months ended September 30 2006</b>	<b>Three months ended September 30 2005</b>	<b>Nine months ended September 30 2006</b>	<b>Nine months ended September 30 2005</b>
<b>Cash Flows from Operating Activities</b>				
Net income for the period				
	\$373,655	\$708,411	\$1,907,901	\$2,135,550
<b>Adjustments For</b>				
Amortization of equipment	188,192	170,585	546,496	496,387
Amortization of customer list	23,930	23,930	71,792	71,792
Future income taxes	<u>0</u>	<u>18,700</u>	<u>567,000</u>	<u>203,000</u>
	585,777	921,626	3,093,189	2,906,729
Net changes in non-cash working capital balances				
Accounts receivable	(11,114,069)	(10,928,475)	9,273,711	8,445,913
Inventory	(832,451)	(636,134)	(1,169,495)	(904,375)
Prepaid expenses and sundry receivables	(256,067)	(16,235)	(447,439)	163,499
Income taxes receivable and payable	620,913	(137,896)	168,528	771,734
Accounts payable and accrued liabilities	11,341,572	12,985,945	(7,264,689)	(7,560,546)
Deferred revenue	<u>536,335</u>	<u>(210,701)</u>	<u>(131,587)</u>	<u>(222,957)</u>
	<u>296,233</u>	<u>1,056,504</u>	<u>429,029</u>	<u>366,270</u>
	<u>882,010</u>	<u>1,978,130</u>	<u>3,522,218</u>	<u>3,272,999</u>
<b>Cash Flows from Investing Activities</b>				
Additions to equipment	(572,720)	(230,167)	(1,023,201)	(497,529)
Acquisition of SJS Control Technologies Inc.	0	0	(50,001)	0
Additions of other long term assets	<u>0</u>	<u>0</u>	<u>(104,087)</u>	<u>0</u>
	<u>(572,720)</u>	<u>(230,167)</u>	<u>(1,177,289)</u>	<u>(497,529)</u>
<b>Cash Flows from Financing Activities</b>				
Capital stock issued	2,400	0	7,420	0
Contributed surplus	(119,945)	0	(179,919)	(97,480)
Capital lease repayments	(32,321)	(28,306)	(77,497)	(84,485)
Redemption of Series A Preference Shares	(480,055)	0	(720,082)	0
Dividends paid	<u>(107,635)</u>	<u>(87,632)</u>	<u>(304,751)</u>	<u>(187,449)</u>
	<u>(737,556)</u>	<u>(115,938)</u>	<u>(1,274,829)</u>	<u>(369,414)</u>
Increase (Decrease) in Cash	(428,266)	1,632,025	1,070,100	2,406,056
Cash – Beginning of Period	<u>7,876,822</u>	<u>4,784,099</u>	<u>6,378,456</u>	<u>4,010,068</u>
Cash – End of Period	<u><u>\$7,448,556</u></u>	<u><u>\$6,416,124</u></u>	<u><u>\$7,448,556</u></u>	<u><u>\$6,416,124</u></u>
Cash paid during the period for:				
Interest	<u>\$31,821</u>	<u>\$33,521</u>	<u>\$115,350</u>	<u>\$137,166</u>
Income taxes	<u><u>\$433,929</u></u>	<u><u>\$238,201</u></u>	<u><u>\$1,570,013</u></u>	<u><u>\$561,580</u></u>

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

**1. Basis of Presentation**

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited financial statements. The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and follows the same accounting policies and methods of application as the annual audited consolidated financial statements of Synergex Corporation at December 31, 2005. Accordingly, these consolidated interim financial statements should be read in conjunction with the consolidated financial statements of Synergex Corporation for the year ended December 31, 2005. The nature of the business is seasonal and the results of operations for the nine months ended September 30, 2006 may not be indicative of annual results. Certain comparative figures have been reclassified to conform to the current presentation.

**2. Significant Accounting Policies**

We have prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) using the same basis of presentation and accounting policies as outlined in Note 2 to the annual consolidated financial statements for the year ended December 31, 2005.

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

**3. Segmented Information**

The Company considers that its operations fall principally into two business segments, namely (1) Commercial Gateway, and (2) Business Information. The company reviews its segments at a gross revenue, gross profit and total assets level. Management regularly reviews the operations of these segments to assess performance and to allocate resources.

The Company's operating segments are as follows:

Three months ended September 30, 2006				
	Commercial Gateway	Business Information	Corporate	Total
Sales	\$ 36,056,194	\$ 984,360	\$ 0	\$ 37,040,554
Cost of sales	<u>32,210,432</u>	<u>635,788</u>	<u>0</u>	<u>32,846,220</u>
Gross profit	<u>3,845,762</u>	<u>348,572</u>	<u>0</u>	<u>4,194,334</u>
Expenses				
General and administrative	1,960,364	198,566	739,204	2,898,134
Sales expense	408,626	0	56,033	464,659
Interest and bank charges	21,768	3,201	6,852	31,821
Interest income	(85,301)	0	(11,639)	(96,940)
Amortization of equipment	96,675	42,967	48,550	188,192
Amortization of customer list	0	23,930	0	23,930
Employee termination costs	0	0	31,883	31,883
Business combination costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2,402,132</u>	<u>268,664</u>	<u>870,883</u>	<u>3,541,679</u>
Income (loss) before income taxes	1,443,630	79,908	(870,883)	652,655
Provision for income taxes	<u>279,000</u>	<u>0</u>	<u>0</u>	<u>279,000</u>
Net income (loss) for the period	<u>\$1,164,630</u>	<u>\$79,908</u>	<u>(\$870,883)</u>	<u>\$373,655</u>
Assets	<u>\$ 38,290,892</u>	<u>\$ 2,568,985</u>	<u>\$ 2,405,821</u>	<u>\$ 43,265,698</u>
Capital expenditures	<u>\$ 568,950</u>	<u>\$ 3,770</u>	<u>\$ 0</u>	<u>\$ 572,720</u>

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

Three months ended September 30, 2005

	Commercial Gateway	Business Information	Corporate	Total
Sales	\$ 28,666,860	\$ 1,133,824	\$ 0	\$ 29,800,684
Cost of sales	<u>24,735,466</u>	<u>622,272</u>	<u>0</u>	<u>25,357,738</u>
Gross profit	<u>3,931,394</u>	<u>511,552</u>	<u>0</u>	<u>4,442,946</u>
Expenses				
General and administrative	1,938,557	294,201	518,466	2,751,224
Sales expense	330,864	0	0	330,864
Interest and bank charges	27,079	5,140	1,302	33,521
Interest income	(34,665)	0	(7,249)	(41,914)
Amortization of equipment	86,043	44,146	40,396	170,585
Amortization of customer list	0	23,930	0	23,930
Employee termination costs	0	0	2,024	2,024
Business combination costs	<u>0</u>	<u>0</u>	<u>3,792</u>	<u>3,792</u>
	<u>2,347,878</u>	<u>367,417</u>	<u>558,731</u>	<u>3,274,026</u>
Income (loss) before income taxes	1,583,516	144,135	(558,731)	1,168,920
Provision for income taxes	<u>460,509</u>	<u>0</u>	<u>0</u>	<u>460,509</u>
Net income (loss) for the period	<u>\$ 1,123,007</u>	<u>\$ 144,135</u>	<u>\$ (558,731)</u>	<u>\$ 708,411</u>
Assets	<u>\$ 31,668,809</u>	<u>\$ 3,239,148</u>	<u>\$ 931,992</u>	<u>\$ 35,839,949</u>
Capital expenditures	<u>\$ 204,815</u>	<u>\$ 5,636</u>	<u>\$ 19,716</u>	<u>\$ 230,167</u>

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

Nine months ended September 30, 2006				
	Commercial Gateway	Business Information	Corporate	Total
Sales	\$ 89,116,402	\$ 3,128,874	\$ 0	\$ 92,245,276
Cost of sales	<u>77,405,221</u>	<u>2,009,713</u>	<u>0</u>	<u>79,414,934</u>
Gross profit	11,711,181	1,119,161	0	12,830,342
Expenses				
General and administrative	5,355,636	707,218	1,995,614	8,058,468
Selling expense	1,247,797	0	56,033	1,303,830
Interest and bank charges	75,036	16,304	24,010	115,350
Interest income	(259,964)	(8,531)	(31,883)	(300,378)
Amortization of equipment	276,781	128,610	141,105	546,496
Amortization of customer list	0	71,792	0	71,792
Employee termination costs	0	0	31,883	31,883
Business combination costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>6,695,286</u>	<u>915,393</u>	<u>2,216,762</u>	<u>9,827,441</u>
Income (loss) before income taxes	5,015,895	203,768	(2,216,762)	3,002,901
Provision for income taxes	<u>1,095,000</u>	<u>0</u>	<u>0</u>	<u>1,095,000</u>
Net income (loss) for the period	<u>\$ 3,920,895</u>	<u>\$ 203,768</u>	<u>\$ (2,216,762)</u>	<u>\$ 1,907,901</u>
Assets	<u>\$ 38,290,892</u>	<u>\$ 2,568,985</u>	<u>\$ 2,405,821</u>	<u>\$ 43,265,698</u>
Capital expenditures	<u>\$ 896,224</u>	<u>\$ 8,456</u>	<u>\$ 118,521</u>	<u>\$ 1,023,201</u>

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

Nine months ended September 30, 2005				
	Commercial Gateway	Business Information	Corporate	Total
Sales	\$ 90,590,221	\$ 3,596,922	\$ 0	\$ 94,187,143
Cost of sales	<u>80,035,511</u>	<u>2,026,238</u>	<u>0</u>	<u>82,061,749</u>
Gross profit	<u>10,554,710</u>	<u>1,570,684</u>	<u>0</u>	<u>12,125,394</u>
<b>Expenses</b>				
General and administrative	4,609,452	1,399,639	911,066	6,920,157
Sales expense	859,859	0	0	859,859
Interest and bank charges	109,430	10,716	17,020	137,166
Interest income	(81,165)	0	(34,638)	(115,803)
Amortization of equipment	224,417	157,501	114,469	496,387
Amortization of customer list	0	71,792	0	71,792
Employee termination costs	0	0	22,409	22,409
Business combination costs	<u>0</u>	<u>0</u>	<u>213,368</u>	<u>213,368</u>
	<u>5,721,993</u>	<u>1,639,648</u>	<u>1,243,694</u>	<u>8,605,335</u>
Income (loss) before income taxes	4,832,717	(68,964)	(1,243,694)	3,520,059
Provision for income taxes	<u>1,384,509</u>	<u>0</u>	<u>0</u>	<u>1,384,509</u>
Net income (loss) for the period	<u>\$ 3,448,208</u>	<u>\$ (68,964)</u>	<u>\$ (1,243,694)</u>	<u>\$ 2,135,550</u>
Assets	<u>\$ 31,668,809</u>	<u>\$ 3,239,148</u>	<u>\$ 931,992</u>	<u>\$ 35,839,949</u>
Capital expenditures	<u>\$ 348,973</u>	<u>\$ 10,322</u>	<u>\$ 138,234</u>	<u>\$ 497,529</u>

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

**4. Share Capital**

**a) Capital Stock**

Authorized and issued

Authorized

Unlimited common shares

Unlimited Series A Preference Shares, voting, cumulative at HSBC prime plus 0.75%, redeemable at \$1.00 per share.

Issued

	<u>Number</u>	<u>Amount</u>
Issued common shares:		
Balance at December 31, 2005	111,553,785	\$ 6,876,942
Employee stock option plan	19,000	7,420
Employment inducement	30,000	0
Balance at September 30, 2006	<u>111,602,785</u>	<u>\$ 6,884,362</u>
Issued preference shares:		
Balance at December 31, 2005	6,874,219	\$5,500,000
Redeemed	<u>(900,000)</u>	<u>(720,082)</u>
Balance at September 30, 2006	<u>5,974,219</u>	<u>\$ 4,779,918</u>

On February 1, 2006, 300,000 Series A Preference shares were redeemed for \$1.00 per share. On August 23, 2006, 600,000 Series A Preference shares were redeemed for \$1.00 per share.

**b) Contributed Surplus**

The following table summarizes the activity in the contributed surplus account:

	<u>Amount</u>
Balance at December 31, 2005	\$791,854
Series A Preference Shares redeemed	<u>(179,919)</u>
Balance at September 30, 2006	<u>\$611,935</u>

### c) Stock Options

The following table summarizes the activity for the Company's stock options program:

	<u>Number of Shares</u>	<u>Average Weighted Exercise Price</u>
Outstanding, December 31, 2005	830,000	\$0.47
Granted	335,000	0.48
Exercised	(19,000)	0.39
Expired/cancelled	<u>(85,000)</u>	<u>0.39</u>
Balance at September 30, 2006	<u>1,061,000</u>	<u>\$0.48</u>

These options expire at various dates between January 2008 and August 2011.

### c) Stock-based Compensation

There is no stock-based compensation expense for the period.

## 5. Stock-based Compensation

Effective June 1, 2005, the Company retroactively adopted the fair value method to account for its stock based compensation for employees, in accordance with The Institute of Chartered Accountants Section 3870, Stock-based Compensation and Other Stock-based Payments.

**SYNERGEX CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

**6. Related Party Transactions**

In the normal course of operations, the Company provides logistics services and recovers general and administrative costs from two companies owned by a director.

The following summarizes the Company's related party transactions in the period:

	<b>Three months ended September 30 2006</b>	<b>Three months ended September 30 2005</b>	<b>Nine months ended September 30 2006</b>	<b>Nine months ended September 30 2005</b>
Logistics services rendered	\$59,910	\$202,798	\$293,614	\$493,693
General and administrative costs recovered	\$ 40,146	\$ 41,787	\$ 137,755	\$ 70,515
Amounts in accounts receivables	\$319,017	\$405,310	\$319,017	\$405,310