



MEDIA RELEASE

For Immediate Release

Q9 Networks Reports Third Quarter 2006 Results; Announces \$20 Million Expansion of Brampton Data Centre

- Revenue of \$12.0 million, a 20% increase over the same quarter in 2005 and an 8% increase from the previous quarter
- EBITDA of \$3.1 million, a 6% increase over the same quarter in 2005 and a 9% increase from the previous quarter
- Net income of \$0.9 million, compared to net income of \$0.7 million for the same quarter in 2005 and net income of \$0.7 million in the previous quarter
- Cash flow from operations of \$3.2 million
- Revenue under contract increases 3% to \$10.3 million
- Toronto expansion nears completion, capital costs significantly below preliminary estimate
- Announces plans to add 1,200 cabinet equivalents in Brampton data centre

Toronto, ON – September 12, 2006 – Q9 Networks Inc. (TSX:Q), a leading Canadian provider of outsourced data centre infrastructure for organizations with mission-critical IT operations, today announced its quarterly results for the period ending July 31, 2006.

Revenue for the third quarter 2006 was \$12.0 million, an increase of 20% over third quarter 2005 revenue of \$10.0 million and an increase of 8% over the previous quarter. Revenue for the nine months ended July 31, 2006 was \$34.0 million, a 27% increase over the same period last year.

Revenue under contract entering the fourth quarter 2006 increased to \$10.3 million, up 3% over revenue under contract of \$10.0 million at the beginning of the third quarter, 2006.

Co-location revenue for the third quarter 2006 was \$6.0 million, managed bandwidth revenue was \$1.7 million and managed services revenue was \$4.0 million.

EBITDA for the third quarter 2006 was \$3.1 million, up 6% or \$0.2 million over the same period last year and an increase of 9% compared to the second quarter 2006. Please see the attached schedules for the Company's EBITDA definition and reconciliation.

Net income for the third quarter 2006 was \$0.9 million, compared to net income of \$0.7 million for the third quarter 2005 and net income of \$0.7 million for the second quarter 2006. Basic and diluted earnings per share for the third quarter 2006 were \$0.05 and \$0.04 respectively, compared to basic and diluted earnings per share of \$0.03 in the same quarter 2005 and basic and diluted earnings per share of \$0.04 and \$0.03 respectively in the second quarter 2006.

Cash flow generated from operations for the third quarter 2006 was \$3.2 million. The Company ended the quarter with cash, cash equivalents and short-term investments of \$74.9 million. Other than \$0.4 million in notes payable to an equipment supplier, the Company had no debt outstanding.

Q9 NETWORKS

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The Company is now nearing completion of the expansion of its existing Toronto data centre at a total capital cost of approximately \$20 million. This is \$10 million less than management's preliminary estimate and is primarily related to the Company's decision to focus the Toronto expansion on new space rather than increasing density in existing space.

The Company today announced a \$20 million expansion of its Brampton data centre to meet increasing demand for its services in Ontario. The Company expects to add approximately 1,200 cabinet equivalents to Brampton's current capacity of 3,200 cabinet equivalents.

In September 2005, Q9 announced a Normal Course Issuer Bid (NCIB) for up to 1,015,000 of its common shares, representing 5% of the approximately 20.3 million shares outstanding as of September 20, 2005. During the quarter ended July 31, 2006, Q9 repurchased and cancelled 101,400 shares at an average market price of \$10.11 per share. On a cumulative basis, the Company has repurchased 298,700 shares pursuant to this NCIB at a total cost of \$3.0 million.

"Q9 delivered a solid quarter with growth across all service offerings," said Osama Arafat, CEO, Q9 Networks. "The outlook for our business continues to be excellent. We are investing heavily to meet ongoing demand, including today's announcement concerning our Brampton facility, already the largest facility of its kind in Canada. This announcement marks our third expansion over the last 12 months and will ensure Q9 is able to maintain and extend its leadership position well into the future."

Conference Call Information

The Company will host a conference call to discuss its results at 5:00 PM today. The conference call will be available over the Internet through the Investor Relations section of the Company's Web site at www.Q9.com or by telephone at 416-644-3414 and 1-800-796-7558. A replay will be available until September 20, 2006, following the conference call and can be accessed by dialing 416-640-1917, pass code 21198696#.

Non-GAAP Measures

The Company reports EBITDA because it is a key measure used by management to evaluate the Company's performance. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and other non-cash expenses. EBITDA is not a recognized measure under Canadian GAAP, and accordingly investors are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with Canadian GAAP as an indicator of the financial performance of the Company or as a measure of the Company's liquidity and cash flows. The Company's method of calculating EBITDA differs from other issuers and, accordingly, EBITDA may not be comparable to similar measures presented by other issuers. Please see the schedule below that sets out the Company's EBITDA calculations.

About Q9 Networks:

Q9 Networks is a leading Canadian provider of outsourced data centre infrastructure for organizations with mission-critical IT operations. Q9's data centres and network are backed by an industry leading SLA which guarantees 100 per cent network and power availability. Q9 managed services, including: bandwidth, dedicated servers, firewalls, load balancing, virtual private networking (VPN) and back-up/restore, enable the rapid provisioning and scalability of client infrastructure.

For Further Information, Please Contact:

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Q9 NETWORKS INC.

Balance Sheets
(In thousands)
(Unaudited)

	July 31, 2006	October 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,524	\$ 7,843
Short-term investments	70,123	67,610
Accounts receivable	4,658	3,208
Unbilled revenue	296	752
Prepaid expenses	814	676
	<u>80,415</u>	<u>80,089</u>
Restricted cash	230	410
Other assets	777	801
Property and equipment	45,270	36,757
	<u>\$ 126,692</u>	<u>\$ 118,057</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,404	\$ 3,041
Deferred revenue	4,538	3,912
Notes payable	400	542
	<u>13,342</u>	<u>7,495</u>
Deferred revenue	763	646
Deferred gain on sale of property	1,148	1,207
Leasehold inducements	1,419	1,099
Asset retirement obligation	687	631
Other long-term liabilities	938	701
Shareholders' equity:		
Common shares	139,533	139,276
Contributed surplus	3,398	3,092
Deficit	(34,536)	(36,090)
	<u>108,395</u>	<u>106,278</u>
	<u>\$ 126,692</u>	<u>\$ 118,057</u>

Q9 NETWORKS INC.

Statements of Operations and Deficit (In thousands, except per share amounts) (Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2006	2005	2006	2005
Revenue:				
Co-location	\$ 5,999	\$ 4,529	\$ 16,451	\$ 11,121
Managed bandwidth	1,682	1,624	4,951	4,894
Managed services	4,010	3,585	11,717	10,099
Set-up fees	285	264	895	725
	11,976	10,002	34,014	26,839
Cost of revenue	8,264	6,619	23,189	18,631
Gross margin	3,712	3,383	10,825	8,208
Expenses:				
Sales and marketing	1,178	1,142	3,451	3,020
General and administrative	2,114	1,826	6,180	5,361
Amortization of property and equipment	213	133	762	409
	3,505	3,101	10,393	8,790
Income (loss) from operations	207	282	432	(582)
Interest income, net	710	420	1,822	1,225
Income before income taxes	917	702	2,254	643
Income taxes, current	1	14	9	41
Net income	916	688	2,245	602
Deficit, beginning of period as previously reported	(35,122)	(37,914)	(36,090)	(76,861)
New accounting pronouncement adopted	—	—	—	(242)
As restated	(35,122)	(37,914)	(36,090)	(77,103)
Reduction of deficit	—	—	—	39,275
Repurchase of shares	(330)	—	(691)	—
Deficit, end of period	\$ (34,536)	\$ (37,226)	\$ (34,536)	\$ (37,226)
Earnings per share:				
Basic	\$ 0.05	\$ 0.03	\$ 0.11	\$ 0.03
Diluted	0.04	0.03	0.11	0.03
Weighted average number of shares outstanding:				
Basic	20,313	20,249	20,312	20,175
Diluted	20,892	20,658	20,886	20,417

Q9 NETWORKS INC.

Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities:				
Net income	\$ 916	\$ 688	\$ 2,245	\$ 602
Items not involving cash:				
Amortization of property and equipment	2,380	2,098	6,963	6,232
Amortization of other assets	10	10	35	23
Gain on sale of property	(20)	(19)	(59)	(59)
Accretion expense	19	17	56	50
Net non-cash rent expense	72	189	557	318
Stock-based compensation expense	559	555	1,585	1,672
Change in non-cash operating working capital	(748)	(767)	929	(379)
	3,188	2,771	12,311	8,459
Financing activities:				
Issuance of notes payable	197	190	573	671
Repayment of notes payable	(231)	(302)	(715)	(975)
Repurchase of shares	(1,030)	—	(2,373)	—
Issuance of shares	16	572	530	894
	(1,048)	460	(1,985)	590
Investing activities:				
Purchase of property and equipment	(4,931)	(1,542)	(11,079)	(5,304)
Purchase of short-term investments	(72,871)	(51,177)	(173,967)	(100,629)
Sale of short-term investments	71,036	50,200	171,232	97,068
Increase in other assets	—	—	(11)	(761)
Decrease in restricted cash, net	180	730	180	730
	(6,586)	(1,789)	(13,645)	(8,896)
Increase (decrease) in cash and cash equivalents	(4,446)	1,442	(3,319)	153
Cash and cash equivalents, beginning of period	8,970	4,846	7,843	6,135
Cash and cash equivalents, end of period	\$ 4,524	\$ 6,288	\$ 4,524	\$ 6,288
Supplemental cash flow information:				
Interest received	\$ 760	\$ 328	\$ 2,046	\$ 1,394
Interest paid	1	—	1	—
Income taxes paid	1	—	9	—
Supplemental disclosure of non-cash financing and investing activities:				
Effect of acquisition of property and equipment in accounts payable and accrued liabilities	(4,367)	(35)	(4,397)	79
Effect of repurchase of shares in accounts payable and accrued liabilities	2	—	130	—
Reduction of share capital	—	—	—	39,275

Q9 NETWORKS INC.

EBITDA¹ Reconciliation

(In thousands)

(Unaudited)

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2006	2005	2006	2005
Net Income for the period	916	688	2,245	602
Income taxes	1	14	9	41
Accretion expense	19	17	56	50
Interest income, net	(710)	(420)	(1,822)	(1,225)
Amortization	2,370	2,089	6,939	6,196
EBITDA before the under-noted	2,596	2,388	7,427	5,664
Stock-based compensation ²	492	534	1,403	1,642
EBITDA	3,088	2,922	8,830	7,306

Note:

1. EBITDA means earnings before interest, income taxes, amortization, accretion expense and stock-based compensation.
2. Stock-based compensation expense included above is related solely to the nominal exercise price options, which were awarded to employees immediately prior to the Company's Initial Public Offering (IPO). Stock-based compensation expense related to all other options is not added back to net income for the period in calculating EBITDA.