

BRAINHUNTER INC.

ANNUAL INFORMATION FORM

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2.0 CORPORATE STRUCTURE

2.1 Name and Incorporation

Brainhunter Inc. (“BH” or the “Company”)

Executive Office:

Suite 700, 2 Sheppard Avenue East, Toronto, ON, M2N 5Y7

Other Business Offices:

Suite 600, 8500 Leslie Street, Thornhill, ON, L3T 7P1

1686 Woodward Drive, Ottawa, ON, K2C 3R8

Registered Office:

Suite 300, 2355 Skymark Avenue, Mississauga, ON, L4W 4Y6

Brainhunter Inc. was incorporated on January 14, 2000 as Red Lantern Corporation under the *Business Corporations Act* (Alberta) and was classified as a Junior Capital Pool Corporation as defined by Alberta Securities Rule 46-501. The shares of Red Lantern Corporation were listed on the Canadian Venture Exchange on August 23, 2000, which exchange subsequently became the TSX Venture Exchange.

On June 21, 2002, Red Lantern Corporation was continued into Ontario and concurrently changed its name to TrekLogic Technologies Inc.

On May 20, 2004, TrekLogic Technologies Inc. changed its name to Brainhunter Inc.

2.2 Inter-Corporate Relationships

As at September 30, 2004, the BH corporate structure was as follows:

Subsidiary companies. all 100% owned:

- TrekLogic Inc.
- Xycorp Inc.
- Brainhunter.com Ltd
- Advanced Solutions Group Inc.
- Protec Employment Services Limited
- InBusiness Solutions Inc.
- Prolink Consulting Inc.
- Sirius Consulting Group Inc.

Following amalgamations and changes of names as of October 1, 2004, the BH corporate structure is as follows:

Subsidiary companies, all 100% owned:

- TrekLogic Inc.
- Xycorp Inc.
- Brainhunter Limited. (“Brainhunter”)
- Protec Employment Services Limited (“Protec”)
- Brainhunter (Ottawa) Inc.

In December, 2004, the Company acquired 100% of the shares of Vision2Hire Solutions Inc.

All subsidiaries are incorporated or continued under the laws of Ontario except Brainhunter (Ottawa) Inc. and Vision2Hire Solutions Inc., which are continued under the laws of Canada.

3.0 GENERAL DEVELOPMENT of the BUSINESS

3.1 OVERVIEW

Brainhunter is a high value added technology company specializing in providing end-to-end recruiting and staffing solutions and services. The Company provides IT, Engineering, Industrial and Health Care professionals on a full time and contract basis along with web-enabled software solutions handling all aspects of the recruiting and staffing relationship between customer, contractor and agency, including all back office functions. Technology and services are provided throughout Canada and the United States under the brand Brainhunter to a wide variety of corporate and government clients, and are divided into five core interrelated revenue streams as follows:

- 1. Contract Staffing (Core Business / High Growth / IT, Engineering, Industrial, Health Care)**
- 2. Permanent Staffing (Essential Service /Full Service, Virtual Agency)**
- 3. Specialized Job Boards (Core Business / High Growth / Job Postings, Database Access)**
- 4. Software Licenses (Essential Service / Applicant Tracking, Vendor Management, Back Office Systems)**
- 5. Professional Services / Solutions Delivery (Essential Service / Project Revenue, Technology Platform Support, Business Process Outsourcing (“BPO”))**

Brainhunter’s Technology Platform and Best practices are believed to deliver the most cost effective, flexible and customizable recruiting and staffing solutions

and processes in the marketplace today. The Platform is deployed internally and is sold externally in a modular capacity or as a fully integrated end-to-end solution on an ASP Model to customers in conjunction with Brainhunter's extensive Job Board Technology and Job Seeker Database capability (over 1 million resumes). The Platform provides the engine driving Brainhunter's high-growth Recruiting and Staffing Solutions and Services strategy. It is supported by our solutions division which employs approximately 100 highly specialized, fully billable technical employees driving a highly profitable solutions business.

Brainhunter is a publicly traded company with a senior listing on the Toronto Stock Exchange. Brainhunter deploys over 700 Contractors / Consultants with an internal staff of approximately 150 personnel. The Company has offices in Toronto, Ottawa, Calgary, Vancouver, a correspondence relationship in China and has recently opened up a BPO office in India.

3.2 HISTORY

3.2.1 Company Formation

TrekLogic Inc. ("TrekLogic") was incorporated under the *Business Corporations Act* (Ontario) as a private company on August 27, 1997. The purpose of TrekLogic was to provide software solutions to clients, primarily Sun Microsystems Inc. In 1999, TrekLogic earned the highly-desired designation "Sun Microsystems Strategic Partner", due to its extensive knowledge of UNIX and the Sun operating systems, knowledge which allows it to be a leader in consulting and migration projects relating to Sun operating systems.

On October 1, 2001, TrekLogic amalgamated with Stepping Solutions Inc. with the resulting company named TrekLogic Inc. Stepping Solutions Inc. was formed in 1999 and was in the business of providing contract staffing, primarily to the Government of Ontario. A wholly-owned subsidiary of Stepping Solutions Inc., Next Millennium Inc., became a wholly-owned subsidiary of TrekLogic Inc. Next Millennium Inc. was in the business of reselling software.

On June 21, 2002, Red Lantern Corporation, an Alberta company classified as a Junior Capital Pool Corporation as defined by Alberta Securities Rule 46-501, was continued into Ontario and concurrently changed its name to TrekLogic Technologies Inc.

On June 25, 2002, TrekLogic Inc. completed a reverse take-over transaction with TrekLogic Technologies Inc. Under the terms of the transaction agreement, TrekLogic Technologies Inc. acquired 100% of the shares of TrekLogic Inc. in an exchange for shares of TrekLogic Technologies Inc. so that the controlling shareholders of TrekLogic Inc. became the controlling shareholders of TrekLogic Technologies Inc. and TrekLogic Inc. became a 100% owned subsidiary of TrekLogic Technologies Inc. The reverse take-over transaction is being accounted

for in the financial statements of TrekLogic Technologies Inc. as a purchase with TrekLogic Inc. as the purchaser.

On July 22, 2002 the TSX-Venture Exchange announced that it was accepting for filing the qualifying transaction of TrekLogic Technologies Inc. (formerly Red Lantern Corporation), that being the acquisition of TrekLogic Inc.

On November 14, 2003, TrekLogic Technologies Inc. was listed and began trading on the Toronto Stock Exchange.

On May 20, 2004, TrekLogic Technologies Inc. changed its name to Brainhunter Inc.

3.2.2 Acquisitions

Xycorp Inc.

On July 25, 2002 the Company acquired Xycorp Inc., a privately held company, located in Toronto, Ontario, which is in the business of providing contract IT personnel to major companies such as IBM and Manulife Insurance, and various ministries of the Government of Ontario. In addition, it places IT personnel on a permanent basis. Purchase price was \$1,000 plus future payments based on cash flow to a maximum of \$300,000.

Brainhunter.com Ltd.

Effective March 31, 2003, the Company acquired all of the issued and outstanding shares of Brainhunter.com Ltd. ("Brainhunter"), a web-enabled end-to-end recruitment technology platform. Consideration for the purchase, totalling \$4,083,831, consisted of 2,186,110 Series A preferred shares of the Company valued at \$1,093,055, three-year vendor-take-back notes totalling \$1,298,749 of which \$840,367 is paid in cash as a percentage of revenue over time and \$458,382 is paid in Company common shares at the prevailing market price at maturity, net cash of \$1,643,527, and transaction costs of \$48,500.

InBusiness Solutions Inc.

Effective May 1, 2003, the Company acquired 62.3% of the issued and outstanding shares of InBusiness Solutions Inc. ("InBusiness"), an information technology solutions and services company listed on the TSX Venture exchange. Consideration for the purchase consisted of \$2,000,000 in cash plus transaction costs of \$37,433. Because the Company acquired control of InBusiness, the InBusiness acquisition has been accounted for in accordance with the purchase method of accounting.

On December 11, 2003 the Company issued an offer to acquire all issued and outstanding common shares including options and warrants of not already owned by the Company for a cash price of \$0.15 per share. On December 11, 2003 the

Company held 30,000,000 of the 48,157,307 issued and outstanding common shares of InBusiness as well as 30,000,000 common share purchase warrants exercisable at \$0.10 per warrant for the period ending April, 2005.

In April, 2004, the Company, having obtained all outstanding shares of InBusiness, obtained regulatory consent to have InBusiness cease to be a reporting issuer in Canada.

IT Assets of Thinkpath Inc.

On June 27, 2003, the Company acquired the information technology (“IT”) assets of Thinkpath Inc. (“Thinkpath”). These assets include the ongoing business of contract IT staff and the use of the Thinkpath brand in Canada for IT staffing. The assets were acquired for \$200,000 cash, a promissory note for \$60,000, and transaction costs of \$19,136.

Advanced Solutions Group Inc.

Effective June 30, 2003, the Company acquired all of the issued and outstanding shares of Advanced Solutions Group Inc., an information technology solutions company. Consideration for the purchase, totalling \$254,269, consisted of 100,000 common shares of the Company valued at \$135,000, 50,000 common share purchase warrants of the Company valued at \$5,865, net cash of \$82,608, and transaction costs of \$30,796.

ProTec Employment Services Limited

Effective July 31, 2003, the Company acquired all of the issued and outstanding shares of ProTec Employment Services Limited, operating as “ProTec Global Staffing, an engineering and industrial staffing company. Consideration for the purchase, totalling \$1,570,293, consisted of 1,000,000 common shares of the Company valued at \$1,200,000, a promissory note for \$300,000, 101,000 common share purchase warrants of the Company valued at \$48,055 and transaction costs of \$22,238. Additionally, a contingent consideration may be incurred of up to \$500,000 in cash and additional warrants based on certain income benchmarks, through September 30, 2007.

Prolink Consulting Inc.

Effective October 1, 2003, the Company acquired 100% of the shares of Prolink Consulting Inc. (“Prolink”), an information technology staffing company. Consideration includes 550,000 common shares of the Company with a deemed value of \$2 per share, 355,000 common share purchase warrants priced at \$1.85 and vesting over a three-year period and a cash amount, to be determined, based on working capital. All shares have escrow periods up to three years tied to management contracts and performance criteria. Results of Prolink are included in the consolidated financial statements of the Company as of the effective date.

Sirius Consulting Group Inc.

Effective November 1, 2003, the Company acquired 100% of the shares of Sirius Consulting Group Inc. (“Sirius”), an information technology staffing company.

Consideration includes \$3.0M of cash and a \$1.0M two-year transferable convertible note at an interest rate tied to 90-day treasury bills, exercisable at \$3.00 per common share of the Company. The convertible note has quarterly repayment terms over a two-year period. Additionally, the Company issued 250,000 common share purchase warrants with an exercise price of \$1.96 vesting over three years and a cash amount, to be determined, based on working capital. Results of Sirius are included in the consolidated financial statements of the Company as of the effective date.

Vision2Hire Solutions Inc.

In December, 2005, Vision2Hire Solutions Inc was acquired for cash and a zero-interest note payable of \$446,054 convertible for a term of 3 years to Brainhunter shares at an exercise price of \$2.00 per share. One senior technical sales executive joined Brainhunter as a result of the acquisition and all technology and sales support has been taken over by Brainhunter.

3.2.3 Financings

\$430,325 Private Placement

On December 23, 2002, the Company received regulatory approval and closed off a private placement of \$430,325, for which it issued 1,229,500 units, each unit consisting of one common share and one purchase warrant. Each warrant entitled the holder to acquire one common share at \$0.35 in the first year and at \$0.40 in the second year

\$4,000,000 Private Placement

On April 15, 2003, the Company closed a Private Placement Financing for a total of \$4,000,000 in gross proceeds. In connection with the Financing, 6,000,000 common shares and 2,000,000 Convertible Preferred Shares were issued, all shares issued at \$0.50 per share. The Convertible Preferred Shares are convertible to 2,000,000 common shares at the option of the holder of the Convertible Preferred Shares. All shares are subject to a four-month hold period, normal for Private Placement Financing of this size and nature. As part of the costs of the financing, the Company issued, to the broker who arranged the financing, 600,000 warrants as a Compensation Option, exercisable for two years from date of closing at \$0.50 per share.

\$3,300,000 Private Placement

On July 10, 2003, the Company closed a Private Placement Financing for a total of \$3,300,000 in gross proceeds. In connection with the Financing, 4,285,714 common shares and 428,571 Convertible Preferred Shares were issued, all shares issued at \$0.70 per share. The Convertible Preferred Shares are convertible to 428,571 common shares at the option of the holder of the Convertible Preferred Shares. As part of the costs of the financing, the Company issued, to the broker

who arranged the financing, 257,142 warrants as a Compensation Option, exercisable for two years from date of closing at \$0.70 per share. Additionally, a financial advisor was paid 50,000 Options on the same terms for corporate services.

\$10,000,000 Private Placement

On February 2, 2004, the Company completed a private placement of 5,555,556 common shares at \$1.80 per share for gross proceeds of \$10.0M. In connection with this private placement, the Company issued compensation warrants exercisable to acquire an aggregate of 283,335 common shares at \$1.88. Insiders acquired approximately \$3.7M of the financing.

3.3 Dispositions

The Company has made no dispositions of companies or businesses since inception.

3.4 Industry Trends

Management believes that there are trends in North America, which will provide the Company with significant opportunities over the immediate future to profitably expand the business of the Company:

- The continuing trend by primary IT users to “outsource” IT development projects to Solutions providers like Brainhunter to avoid having a large IT infrastructure
- The continuing trend by large scale Information Technology users and Systems Integrators to use IT contractors for projects in lieu of using permanent employees

Management believes that the IT development sector will continue to expand over the coming years as the economy generally recovers from the economic doldrums of the first years of the 21st century.

Management believes that the time is opportune to effect a consolidation strategy within the IT Contract Staffing industry.

4.0 Narrative Description of the Business

4.1 Introduction

Brainhunter is a high value added technology company providing end-to-end HCM Solutions based on proprietary technology and processes under the brand BRAINHUNTER to a wide variety of corporate and government clients on a national scale. Brainhunter's HCM solutions are structured across two primary categories:

1. **Contract & Permanent Staffing Services** are the key focus of the Company. This is a high growth opportunity where revenue is driven from annuity contract and permanent staffing placements. The HCM marketplace, in particular contract staffing solutions, represents over 10% of the North American GDP, and approximately \$5.89 billion of contract Staffing Services in Canada alone. Brainhunter's HCM technology platform provides a significant competitive advantage allowing Brainhunter to create, develop and manage Strategic Staffing Services relationships with clients where the focus is on providing the client with an end-to-end staffing solution with emphasis on becoming the dominant provider of annuity contract staffing and permanent staffing placements in Canada.
2. **Solutions Delivery** is comprised of approximately 75 highly specialized technical employees supporting a strong core, highly profitable solutions business that is an enabler in managing the Brainhunter HCM technology platform providing the engine driving Brainhunter's high growth Staffing Services consolidation strategy. Additionally, the Solutions division manages the research and development initiatives and ASP infrastructure that drives an ever-increasing licensing fees revenue stream from HCM Solutions sales; and fast growing posting revenues generated from over 85 internally-hosted specialized job boards.

4.2 STAFFING BUSINESS

Staffing Business Overview

The Staffing Business is composed of the businesses of Brainhunter Limited, Brainhunter (Ottawa) Inc., Xycorp Inc. and Protec Employment Services Limited.

Nature of Business

Brainhunter is creating a staffing business, focused on providing contract consultants primarily to the Information Technology (IT) sector and secondarily to the engineering sector using a technologically advanced recruiting platform (the Brainhunter recruiting platform) that offers a significant competitive advantage and a strong point of differentiation from competitive staffing providers. Based on this competitive advantage as well as the Company's

management expertise in the contract staffing industry, Brainhunter will execute a consolidation strategy to become the leading technology staffing firm in Canada.

Brainhunter Technology Advantage

The core technology for the Brainhunter recruiting platform is the database engine that captures, screens, and presents candidates to clients in an accurate and timely manner. The proprietary matching algorithms rely on translating our recruiting and screening techniques developed over the past 20 years into an automated computer system. The platform offers a cost effective WEB based enterprise total staffing solution with the same or better level of service than traditional employment agencies. Management believes that the Brainhunter technology currently has no significant direct competitor that provides a WEB-based total staffing solution exactly similar to Brainhunter.

Target Market

Brainhunter is targeting a select set of clients across all major industries and geographic locations and especially Fortune 1000 clients and emerging growth companies utilizing skilled or professional labor, as well as Canadian federal and provincial government ministries and agencies. Geographically the main target areas are Toronto, Ottawa and Calgary.

Toronto is extremely attractive because of the historical relationship and existing brand equity through the staffing entities acquired by the Company: Thinkpath IT, Xycorp, Brainhunter, ProLink and ProTec. Most of these companies have been in existence for many years (between 6 and 28 years) with substantial staffing relationships and Vendor of Record status. We can therefore continue to penetrate the existing accounts and win more business in this large market in a short period of time, through the application of the sophisticated technology advantage. It is our belief that the build up of the critical mass, our combined size and capability will also allow us to effectively compete against large players for the major accounts in our target market. In the IT staffing market, size, financial strength and stability factors are all important in winning major accounts.

Ottawa represents the Canadian City with the largest demand for technology professionals, and has been and will continue to be the home to most of the Canadian emerging technology growth companies, when the economical cycle reverses. This market is also fortunate to have the bulk of the federal government IT business. InBusiness and Sirius, our Ottawa based acquisitions, have an established presence in Ottawa spanning almost 16 years. They have substantially penetrated the federal government and Brainhunter continues to build its combined market share within the government entities.

Consolidation Opportunity

The highly fragmented nature of the industry, combined with the scalability of Brainhunter's front-end marketing & recruiting platform, back-end financial

system and management and financial expertise present a large consolidation business opportunity.

The US has experienced a high degree of consolidation over the last 30 to 40 years. Most of the large US staffing firms referenced were grown through large amounts of acquisition.

In Ontario alone, there is an estimated 576 technology staffing companies with sales ranging from less than \$1 million to approximately \$200 million. Many of the operators run their business operation at a very unsophisticated small business level. Also, many of these operators are at or nearing retirement without a clear exit strategy to capitalize of the value built in the business.

Because staffing is a service business, there are very little fixed assets to dispose of or integrate into the post merged entity. The integration efforts are primarily focused on receivables, client relationships, consultant's relationships, the sales & recruiting team and forging a common corporate cultures, business values and to use established business practices.

Brainhunter's infrastructure, financial position and sound management and operational capability is extremely well positioned to execute a similar, "tried & true", proven consolidation strategy in the Canadian market to develop and emerge as the largest, leading technology staffing firm in the country.

Industry Analysis----The Staffing Industry Size and Growth Drivers

The North American staffing industry has been estimated to be worth in excess of \$US102 billion (SI Report). The industry has experienced a growth rate of over 14% from 1993 through 2000, slowed in 2001 and 2003. This growth rate is expected to continue into the future (SI Report). There is healthy growth rate within the industry-by-industry segment. The temporary help segment continues to dominate the market. This growth trend is expected to continue as more professional and technical workers pursue alternate employment options and the provision of their services as consultants as opposed to being full-time employees. Even though the PEO (Professional Employment Organization) is in a separate category, there is also a compelling argument that this may well be classified as temporary help.

Business expansion continues to drive job growth in North America. The technology sector (engineering and information technology) and Health Care continues to be forecasted as the main areas of growth. Despite the cyclical downturn in the economy, a severe shortage of technology and Health Care professionals is expected to plague Canada and the US.

Moreover, this growth is also fuelled by business expansion in the non-technology sectors. The accounting and finance sector is experiencing job growth between 30%-40% per annum (SI Report). There is also substantial growth in the management, sales and marketing, technical recruiting and other general non-technology areas.

Demand for health care services are also increasing. Many health care workers themselves are retiring and requiring health care services. For instance, the average U.S. nurse is 48 years old. The health care industry is now positioned to rival IT as the staffing sector with the greatest shortage of skilled personnel. The U.S. Bureau of Labour statistics project that nearly half of the 30 fastest growing occupations between 1999 and 2006 will be health services related.

Structure

The US and Canadian staffing industry is highly competitive and fragmented. There is specialization along many lines. For example, some agencies may specialize along verticals such as engineering, accounting and finance, health care, IT, sales and marketing and many other verticals along job function. Other agencies have developed sub-specialization and are focused on certain market niches within verticals. For example, some agencies sub-specialize in IT contracting and may further focus on the provision of specific IT skill-sets or software solution such as SAP programs or JD Edwards System specialists. Moreover, these smaller agencies tend to be local and operate within narrow geographic segments.

While there is very little start up capital required entering the agency business, there are substantial barriers to growth. Specialization, low barriers to entry and limited geographic focus have resulted in high fragmentation. There are, however, a number of very large agencies. These agencies are generalists serving many employment verticals, international, national or at least spanning many geographic areas, and are often publicly traded companies. These companies have market capitalization of over US\$400 million, ranging to the largest, Adecco SA, with a market capitalization of US\$13.1 billion.

4.3 SOLUTIONS DELIVERY BUSINESS

Brainhunter Inc.'s subsidiary TrekLogic Inc. ("TrekLogic") is an Information Technology ("IT") Services company providing software solutions services to a high profile client base primarily in the U.S. and is built around a number of high value-added specialty practice areas where TrekLogic has a competitive advantage, either due to specialized expertise or proprietary software tools used in

the provision of services. TrekLogic is committed to making the investment in developing both software tools and highly trained personnel that results in a distinct competitive advantage.

TrekLogic is a provider of information technology ("IT") solutions to other businesses. It is focused in the following areas:

- Software Solutions. This is the primary business. TrekLogic specializes in the design, development and maintenance of software solutions that facilitate electronic commerce based upon Internet technology;
- migration of application systems and data between operating platforms;
- custom software solutions; and
- consultancy projects.

It is the view of management that there are significant benefits to be derived from the joining together of the software solutions and the contract staffing businesses. By having a contract staffing business, the software solutions business has access to a large pool of available software talent, and is able to quickly identify the most appropriate people when solutions projects require additional resources. At the same time the contract staffing business provides excellent qualified leads to upcoming major projects through its large base of relationships in the IT world.

The market for the services offered by TrekLogic is, in practical terms, limited only by the Company's ability to grow in a manner which allows the Company to maintain its high standards of quality and customer satisfaction.

The Company's competitive advantage lies in its ability to provide services based on either a technology advantage (i.e. proprietary software tools) or a domain knowledge, (i.e. specific industry expertise).

4.4 EMPLOYEES

As of the date of this Annual Information Form, the Company has approximately 150 employees in its offices in Toronto, Ottawa, Alberta and Vancouver.

4.5 RISK FACTORS

The Company is subject to a number of risks and uncertainties that could significantly affect the Company's future results of operations and financial condition.

Competition

The Company operates in intensely competitive markets. Market conditions may in the future be such that obtaining good margins becomes a particular challenge.

Failure of a Key Customer

The Company deals only with customers, which, in its opinion can be relied upon to pay for the services rendered. Nevertheless, there is always the possibility that some customer may experience difficulties, which may affect the collection of all of the funds owed to the Company by that customer. This risk is mitigated by the fact that no single customer represents more than 7% of revenues.

Foreign Currency Risk

The Company earns approximately 9% of its revenues in US dollars. A sudden significant shift in the exchange rates could affect the realization of funds receivable.

Legal Proceedings

The company is involved in several pieces of litigation. Management believes that any necessary provisions have been made in the accounts of the Company, but the outcome of the litigation is not certain.

5.0 FINANCIAL INFORMATION**5.1 Annual Information****Balance Sheet as at September 30 (\$,000)**

	2004	2003	2002
Current Assets	\$15,305	\$10,845	\$3,221
Non-current Assets	21,724	9,894	971
Total Assets	\$37,029	\$20,739	\$4,192
Current Liabilities	\$12,597	\$6,749	\$1,772
Non-current Liabilities	849	1,253	0
Non-controlling interest	0	61	0
Total Liabilities	13,445	8,062	1,772
Shareholder Equity	23,584	12,677	2,420
Total Liab and Equity	\$37,029	\$20,739	\$4,192

Statement of Operations for period ending September 30 (\$,000 except earnings per share)

	2004	2003	2002
Revenue	\$68,893	\$22,282	\$6,481
Cost of Sales	54,869	15,632	3,147
Gross Margin	14,024	6,650	3,334
Other Operating Costs	10,212	4,797	1,555
EBITDA	3,813	1,853	1,779
Interest	328	154	26
Amortization	1,421	506	49
Earnings before Tax	2,063	1,194	1,705
Income Tax	340	239	629
Earnings before Non-controlling Interest	1,723	955	1,076
Non-controlling Interest	0	60	0
Net Earnings	\$1,723	\$895	\$1,076
Earnings per share-basic	\$0.04	\$0.03	\$0.06
Earnings per share-fully diluted	\$0.04	\$0.03	\$0.06

6.0 MANAGEMENT DISCUSSION and ANALYSIS

6.1 Management Discussion and Analysis for the year ending September 30, 2004

Acquisitions

Prolink Consulting Inc.

Effective October 1, 2003, the Company acquired 100% of the shares of Prolink Consulting Inc. ("Prolink"), an information technology staffing company. Consideration for the purchase, totaling \$1,857,675, consisted of 550,000 common shares of the Company with a deemed value of \$2 per share, 355,000 common share purchase warrants valued at \$191,974, net cash of \$457,311, and transaction costs of \$108,390. All shares have escrow periods of up to three years tied to management contracts and performance criteria.

Sirius Consulting Group Inc.

Effective November 1, 2003, the Company acquired 100% of the shares of Sirius Consulting Group Inc. ("Sirius"), an information technology staffing company.

Consideration for the purchase, totaling \$5,741,818, consisted of a \$1.0M two-year transferable convertible note at an interest rate tied to the 90-day treasury bills rate, exercisable at \$3.00 per common share of the Company, 250,000 common share purchase warrants valued at \$143,231, net cash of \$4,123,739, and transaction costs of \$474,848. The convertible note has quarterly repayment terms over a two-year period.

InBusiness Solutions Inc.

During 2004, the Company acquired all of the remaining common shares of InBusiness Solutions Inc. (“InBusiness”), an information technology staffing and services company. In 2003, the Company had acquired 62.3% of the issued and outstanding shares of InBusiness for \$2,000,000 in cash plus transaction costs of \$37,433. The additional interest was acquired in 2004 for a total cash consideration of \$4,782,855 and transaction costs of \$219,948.

Vision2Hire Solutions Inc (subsequent to year end)

In December, 2005, Vision2Hire Solutions Inc (“V2H”) was acquired for cash and a zero-interest note payable of \$446,054 convertible for a term of 3 years to Brainhunter shares at an exercise price of \$2.00 per share. One senior technical sales executive joined Brainhunter as a result of the acquisition and all technology and sales support has been taken over by Brainhunter.

Financing

\$10 million Financing

On February 2, 2004 – the company closed a private placement of 5,555,556 common shares at \$1.80 per share for gross proceeds of \$10,000,000.80.

The agents were paid a cash fee equal to 6.0% of the gross proceeds of the financing, except as detailed below. As additional compensation, the agents received compensation warrants exercisable to acquire an aggregate of 283,335 common shares at a price of \$1.88 per share. These compensation warrants are exercisable for a period of two years following the closing of the financing.

Members of management, and one Director of the Company acquired approximately \$3.7 million of the financing. The Company paid the agents a cash fee of 3% in respect of this portion of the financing. The agents did not receive compensation warrants in respect of such insider subscriptions.

Listing on the Toronto Stock Exchange

On November 14, 2003 the shares of the Company began trading on the Toronto Stock Exchange (TSX). They had previously been trading on the more junior Venture Exchange (TSX-Venture).

Name Change

At the Shareholders' meeting May 12, 2004, the shareholders approved the Company changing its name from TrekLogic Technologies Inc. to Brainhunter Inc. This was effected by Articles of Amendment dated May 20, 2004. Following TSX approval, the Company's shares began trading under the new name and symbol ("BH") on June 22, 2004.

Normal-course Issuer Bid

Under the terms of a Normal-course Issuer Bid, the Company acquired 1,999,600 common shares of the Company in the public markets for a cost of \$2,251,722 including transaction costs for an average cost of \$1.13 per share. Subsequent to the year end the Company purchased a further 29,409 shares for a total cost of \$26,615.15 for an average cost of \$0.91 per share.

Relocation of Head Office

During the year the company consolidated its Toronto operations from three offices to one, moving to its current corporate headquarters at 2 Sheppard Avenue East, Suite 700, Toronto, Ontario in the spring of 2004.

Results of Operations for the year

Revenues

Revenues increased in Fiscal 2004 by \$46,611,855 from \$22,281,605 to \$68,893,460 as a result of the inclusion for a full year of the 2003 acquisitions of Brainhunter.com Ltd., InBusiness Solutions Inc., Advanced Solutions Group, Protec Employment Services Ltd., and the IT contracting business of ThinkPath Inc., as well as the addition of the 2004 acquisitions Prolink Consulting Inc. from October 1, 2003 and Sirius Consulting Group Inc. from November 1, 2003.

Cost of Sales

Cost of Sales increased in an amount commensurate with the increase in Revenues. As a % of Revenues, Cost of Sales increased from 70% to 80% reflecting the change in the weighting of the business. The growth took place in Contract Staffing, which has industry Cost of Sales norms in the 80% range as opposed to Information Technology Solutions which has higher Gross Margins.

Gross Margins

As discussed above, due to the large growth in the Contract Staffing segment of the business, the Gross Margins more than doubled from \$6,649,905 in 2003 to \$14,024,322 in 2004. At the same time, due to the shift in type of business the Gross Margins declined to 20% from 30% of Revenue, in line with expected margins from the Contract Staffing business.

Other Staffing Costs and General, Selling and Administrative

The sum of the general overhead costs increased by \$5,415,173 from 2003 to 2004 but declined from 22% to 15% of Revenue reflecting the shift in the mix of businesses.

Earnings before Interest, Taxes and Amortization (EBITDA)

EBITDA more than doubled, increasing by \$1,959,244 from \$1,853,261 to \$3,812,505, due to the growth year on year.

Interest

Interest costs increased by \$173,863 from 2003 to 2004 as a result of financing the increased Working Capital requirements of the increased business. The Interest costs are almost exclusively related to the Company's current line of credit with the Royal Bank.

Amortization

Amortization expense increased by \$915,431 from 2003 to 2004. The increase is due to a full year of amortization in 2004 versus a partial year for 2003 of the Brainhunter software acquired with Brainhunter.com Ltd in 2003, amortization of additional assets such as the new offices for the Company, and a one-time write off of Intangibles acquired with InBusiness Solutions Inc. and relating to now-inactive businesses in an amount of \$391,764.

Income Tax Expense

The Company records a tax expense based on conservative accounting treatment, but the company has sufficient tax losses acquired through subsidiaries to ensure it will not have to pay income taxes for 2003 or 2004.

Non-controlling Interest

The Non-controlling Interest, which was \$59,598 in 2003 and NIL in 2004, represents the minority interest in InBusiness Solutions Inc. The Company acquired 61% of InBusiness in April, 2003 and purchased the remaining shares in 2004.

Net Earnings

The Company is reporting \$1,723,059 of Net Earnings for the year versus \$894,911 for 2003, an increase of \$828,148.

Liquidity

Cash and Bank Indebtedness

At September 30, 2004, the Company reported Bank Indebtedness of \$5,920,652 of which the actual draw against the Company's line of credit was \$6,688,000, offset by Cash of \$1,693,208 and outstanding cheques of \$925,860.

The Company's line of credit available was \$7,00,000 at September 30, 2004 but was increased to \$10,000,000 at October 29, 2004. The Company's interest rate is Prime + 1.5%.

Cash provided by Operations was \$865,532, up from cash used in operations of \$(1,411,293) for the year ending September 30, 2003.

Non-cash Working Capital

Non-cash Working Capital declined by \$2,579,425 over Fiscal 2004, largely due to a reduction in accounts payable in the amount of \$1,943,473, the largest component of which related to the Company shortening the period of payment of funds owed to its staffing contractors.

Issue of Common Shares

The Company raised \$11,435,590 during the year on the issue of common shares. The largest component was a \$10,000,000 private placement in February, 2004. The balance was made up of exercise of options and warrants.

Advances to Related Parties

The company advanced a net of \$835,022 to related parties during the year, mostly to acquire shares in the Company where the loans are collateralized by the Company shares.

Repayment of Long-term Obligations

The Company repaid \$1,714,574 of Long Term Debt during the year. The repayments consisted of scheduled repayments of debt arising from acquisitions of \$300,000, the repayment of a debenture on the books of InBusiness Solutions Inc. in the amount of \$986,075 and the repayment of other obligations on the books of subsidiaries acquired in the amount of \$428,499.

Business Acquisitions

The Company spent \$11,119,250 making acquisitions, net of cash acquired, each acquisition being described earlier in this document.

Capital Expenditures

The Company spent \$2,190,482 on Capital Expenditures during 2004, the largest items being \$1,320,407, which was spent enhancing the Brainhunter software, \$508,082 on Computer Hardware and \$361,993 on Leasehold Improvements for the new head office.

Transactions with Related Parties

No transactions occurred with related parties during the year outside the normal course of business.

6.2 Management Discussion and Analysis for the three month period ending December 31, 2004

Overview

After making 13 acquisitions in 2 years, the Company has been focusing on:

- consolidating the businesses;
- phasing out those sections of the acquired businesses, which are deemed “non-core” to the major lines of business; and
- investing in and expanding the core businesses.

In the *Contract Staffing* sector, the focus has been on enhancing our preferred supplier arrangements with large users of IT or Engineering contract services. During the quarter, our preferred supplier arrangements increased from 35 to 37.

In the *Specialized Job Boards* sector, significant progress was made. Brainhunter now operates 85 specialized Job Boards, up from 65 at the beginning of the quarter. An arrangement was finalized with one of the largest Diversity groups in Canada, which will add significantly to Brainhunter’s Diversity Hiring initiatives. Progress was also made on sales and marketing initiatives with the launch of Passport, which allows customers to significantly improve access to the complete range of Brainhunter specialized job boards.

In the *Technology Sales* sector, Vision2Hire was acquired (see below), expanding Brainhunter’s installed base of applicant tracking systems (“ATS”) to over 100 customers on a national basis. Additionally, the development program for the ATS, Vendor Management Systems and Back Office Systems was substantially completed. The platform has been implemented internally and is now being marketed to the Brainhunter customer base.

In the *Professional Services / Solutions Delivery* sector, negotiations were finalized with respect to a small acquisition, which will, in addition to other benefits, add senior sales skills to the sector and broaden Brainhunter’s specialty practice area to include a very strong Microsoft practice.

Acquisitions

Vision2Hire Solutions

In December, 2005, Vision2Hire Solutions Inc (“V2H”) was acquired for cash and a zero-interest note payable of \$446,054 convertible for a term of 3 years to Brainhunter shares at an exercise price of \$2.00 per share. One senior technical sales

executive joined Brainhunter as a result of the acquisition and all technology and sales support has been taken over by Brainhunter.

Normal-course Issuer Bid

Under the terms of a Normal-course Issuer Bid, the Company acquired 29,409 common shares of the Company in the public markets for a cost of \$26,615.15 including transaction costs for an average cost of \$0.91 per share. With the acquisition of these shares, this Normal-course Issuer Bid has been completed.

Results of Operations for the quarter

Revenues

Revenues increased 9% in Fiscal 2004 from \$16,305,181 to \$17,789,268 as a result of both organic growth and the inclusion for a full quarter of Sirius Consulting Group Inc., which was acquired as of November 1, 2003.

Cost of Sales

Cost of Sales increased in an amount commensurate with the increase in Revenues and as a % of Revenues, due to a shift in the mix of business from higher-margin Solutions revenue, to lower-margin annuity Contract Staffing and Consulting business. As a % of Revenues, Cost of Sales increased from 74% to 78% reflecting the evolution in the mix of the business. The growth took place in Contract Staffing and Consulting, which has industry Cost of Sales norms in the 80% range as opposed to Information Technology Solutions, which has higher Gross Margins.

Gross Margins

As discussed above, due to the large growth in the Contract Staffing segment of the business, the Gross Margin declined as a % of Revenues due to the change in business mix. The decline in Gross Margin from \$4,175,690 to \$3,972,752 was offset by the reduction in "Other Labour Costs" from \$2,046,035 to \$1,767,333 quarter over quarter. This includes a reallocation of non-billable management resources from other Labour Costs to Cost of Sales, which more accurately characterizes the Cost of Sales.

General, Selling and Administrative

General, Selling and Administrative remained constant quarter to quarter as 7% of Revenue. Other Staffing Costs declined partly due to a reallocation of management costs to Cost of Sales but also due to integration cost savings.

Earnings before Interest, Taxes and Amortization (EBITDA)

EBITDA is reported as \$1,013,468 for the quarter versus \$1,052,002 for the year quarter ending December, 2003. The marginal decline in EBITDA reflects the integration costs associated mostly with excess premises costs that will be gone

by August, 2005 as the leases expire. A portion of the integration cost savings has allowed Brainhunter to make a significant investment in expanding its senior management team and sales and recruiting infrastructure, the benefits of which will be realized over the coming year.

Interest

Interest costs remained constant as 1% of Revenue from 2003 to 2004. The interest costs are almost exclusively related to the Company's current line of credit with the Royal Bank.

Amortization

Amortization expense increased from \$206,018 to \$287,153 quarter over quarter as a result of higher amortization of the Fiscal 2004 expenditures on the Brainhunter software.

Earnings before Income Tax

The Company is reporting EBT of \$633,594 for the quarter versus \$755,441 for the December 2003 quarter, the difference largely attributable to the higher amortization costs described above.

Income Tax Expense

The Company records a tax expense based on conservative accounting treatment, but the company has sufficient tax losses acquired through subsidiaries to ensure it will not have to pay income taxes for 2004.

Non-controlling Interest

The Non-controlling Interest, which was \$15,119 in 2003 and NIL in 2004, represents the minority interest in InBusiness Solutions Inc. The Company acquired 61% of InBusiness in April, 2003 and purchased the remaining shares in the period December, 2003 to March, 2004.

Net Earnings

The Company is reporting \$441,500 of Net Earnings for the year versus \$445,700 for 2003.

Liquidity**Cash and Bank Indebtedness**

At December 31, 2004, the Company reported Bank Indebtedness of \$6,322,295 of which the actual draw against the Company's line of credit was \$7,111,916, offset by Cash of \$1,368,907 and outstanding cheques of \$579,286.

The Company's line of credit as at September 30, 2004 was \$7,000,000 but was increased to \$10,000,000 on October 29, 2004. The Company's interest rate is Prime + 1.5%.

Cash from Operations, was \$(345,141), versus \$129,106 for the quarter ending December 31, 2003, reflecting the growth in accounts receivable and improved payroll terms for our contract-based personnel.

Issue of Common Shares

The Company raised \$480,557 during the quarter on the issue of common shares due to the exercise of options and warrants.

Purchase of common Shares

Under the terms of a Normal-course Issuer Bid, the company acquired 29,409 shares at a total cost of \$26,615. Of that amount, \$12,940 is recorded as a reduction in Share Capital and \$13,675 is recorded as a reduction in Retained Earnings.

Notes Due from Related Parties

The company received a net repayment of \$261,789 against Notes Due from Related Parties during the quarter. The Notes Due from Related Parties are advances mostly to acquire shares in the Company where the loans are collateralized by the Company shares. The loans are part of employment contracts for new senior management personnel.

Proceeds from long-term debt

The proceeds result from the issue of convertible promissory notes as part of the purchase of Vision2 Hire Solutions Inc. (discussed earlier).

Repayment of Long-term Obligations

The Company repaid \$75,000 of Long Term Debt during the quarter, being a scheduled repayment of debt arising from acquisitions.

Business Acquisitions

The Company reported a cost of \$522,272, net of cash acquired, to acquire Vision2Hire Solutions Inc.

Capital Expenditures

The Company spent \$591,015 on Capital Expenditures during the December quarter, the largest items being \$401,129, which was spent enhancing the Brainhunter software.

Transactions with Related Parties

No transactions occurred with related parties during the quarter outside the normal course of business.

7.0 SHARE CAPITAL

7.1 Capital Structure

The authorized capital structure of the Company consists of:

1. Unlimited number of common shares
2. Unlimited number of preferred shares
3. Unlimited number of non-cumulative, non-redeemable, non-retractable, convertible, voting Series A Preferred Shares

7.2 Trading of Securities

Brainhunter's common shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "BH". The average trading volume and prices for the previous 16 months are shown below:

		Average Daily Trading Volume	Average Trading Price
2003	October	71,623	\$2.14
	November	117,705	\$1.97
	December	63,936	\$1.74
2004	January	121,333	\$1.91
	February	165,000	\$1.74
	March	64,617	\$1.48
	April	52,238	\$1.42
	May	103,590	\$1.33
	June	106,886	\$1.17
	July	116,638	\$1.29
	August	76,500	\$1.07
	September	82,462	\$0.99
	October	28,995	\$0.83
	November	72,864	\$0.81
	December	96,217	\$0.97
2005	January	115,268	\$1.14

7.3 Dividends

1. There are no restrictions to prevent the issuer from paying dividends.
2. No dividends have been paid in the past three fiscal years.

3. The issuer does not intend to pay dividends in the foreseeable future, as it is the issuer's intention to reinvest profits into the business.

7.4 Transfer Agent

The Company's transfer agent and registrar is Computershare Trust Company of Canada at its offices at Suite 600, 530-8th Avenue SW, Calgary, Alberta, T2P 3S8.

8.0 DIRECTORS AND OFFICERS

The directors of the Company are elected each year at the annual meeting of the shareholders of the Company. The next annual meeting of the shareholders will be held on March 31, 2005.

8.1 Directors and Officers of the Company as of date of this Annual Information Form

Name, Place of Residence	Position with Company	Present and Principal Occupation during the last 5 years	Date of Appoint ment as Director
John McKimm Toronto, Ontario	Director (Insider), Chairman and CEO	Brainhunter Inc. • Chairman and CEO • 2001 to present Daedalian eSolutions Inc. • Executive Chairman • 2000 to 2001	January 14, 2000
Honourable Michael Kirby Ottawa, Ontario	Director (Independent)	Government of Canada • Senator • 1984 to present Bank of Nova Scotia • Director • 2000 to present Extendicare Inc. • Director • 1987 to present	June 25, 2002
James Penturn Toronto, Ontario	Director (Independent)	John Penturn & Son Limited • President • 1998 to present	June 25, 2002
Mel Steinke, Pickering, Ontario	Director (Insider)	Burntsand Inc. • President & CEO • 2001 to 2003 Descartes Systems Inc. • President • 2001 to 2002 CGI Inc. • Executive Vice President • 1999 to 2000 Deloitte Systems • CEO • 1990 to 1999	August 15, 2002
Sheldon Inwentash, Pickering, Ontario	Director (Independent)	Genevest Inc. Chairman and CEO 1994 to present Pinetree Capital Corp Chairman and CEO	June 19, 2003
Matthew Shaw, West Palm Beach, Florida	Director (Independent)	Crossbow Ventures • Partner • 2002 to present Centennial Ventures • Senior Associate • 2000 to 2002 Prime New Ventures • Associate • 1998 to 2000	June 19, 2003
Raj Singh, Toronto, Ontario	Director (Insider), President of Brainhunter Staffing Division	Brainhunter.com Ltd. • Chairman and CEO • 1999 to March 2003 (when acquired by Brainhunter) Procom Inc. • 1991 to 1999 • Senior Manager	June 19, 2003
Robert Prentice Toronto, Ontario	CFO and Corporate Secretary	Brainhunter Inc. • CFO and Corp. Secretary • 2000 to present	N/A

8.2 Shares held by the Directors and Officers as a Group

Issued and Outstanding Shares held by Directors and Officers listed above as a group as at January 31, 2005.

	Common	Series "A" Convertible Preferred	Total	%
Shares held by Group	8,352,349	4,614,681	12,967,030	28%
Total shares outstanding	41,506,605	4,614,681	46,121,286	100%

8.3 Board Committees**Compensation Committee**

The mandate of the Compensation Committee is to make recommendations to the Board of Directors regarding compensation policies and then implement and oversee such compensation policies as are approved by the Board.

The members of the Audit Committee at all material times during the Fiscal year were Michael Kirby (chair), James Penturn, Mel Steinke, and Matthew Shaw.

Audit Committee

The mandate of the Audit Committee is to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

The members of the Audit Committee at all material times during the Fiscal year were James Penturn (chair), Mel Steinke and Sheldon Inwentash.

9.0 OTHER**9.1 Material Contracts**

The Company has not entered into any material contracts, not in the ordinary course of business, within the last three consecutive fiscal years.

9.2 Interest of Management and Others in Material Transactions

No Directors, persons with more than 10% of any class of securities or members of Management have had any interest in a material transaction of the Company with the following exceptions, previously disclosed:

- 9.2.1 In December, 2003, the Company made a public tender offer for the remaining outstanding shares of InBusiness Solutions Inc. (“InBusiness”) held by the public, following the acquisition in April, 2003 of 60.3% of the outstanding shares of InBusiness.

In January, 2004, the Company took up those shares which had been tendered to date, including shares owned by a Director and the Chairman of the Company, obtained on conversion of a debenture issued by InBusiness.

- 9.2.2 On February 2, 2004 – the company closed a private placement of 5,555,556 common shares at \$1.80 per share for gross proceeds of \$10,000,000.80.

Insiders of the Company, composed of members of management and Directors acquired approximately \$3.7 million of the financing.

10.0 ADDITIONAL INFORMATION

10.1 Information on SEDAR

Additional information may be found at www.SEDAR.com.

10.2 Information when Securities are in distribution

The Company shall provide to any person, upon request to the Secretary of the Company at 700-2 Sheppard Avenue East, Toronto, ON, M2N 5Y7

- a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
- i. one copy of the current AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
 - ii. one copy of the comparative consolidated financial statements of the Company for its most recently completed financial year for which statements have been filed together with the accompanying report of the auditors, and one copy of the most recent interim consolidated financial statements of the Company that have been filed, if any, for the period after the end of its most recently completed financial year;
 - iii. one copy of the information circular of the Company in respect of its most recent annual general meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and iv. one copy of any other documents that are incorporated by reference into the

preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

- b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

10.3 Information in Information Circular

Additional information, including information on remuneration of directors and officers, and principal holders of securities may be found in the Company's information circular prepared for the Company's annual meeting.

10.4 Information in Financial Statements

Additional information is provided in the financial statements of the Company.