

**TREKLOGIC TECHNOLOGIES INC.**  
**FORM 51-901F—SCHEDULE C—MANAGEMENT DISCUSSION**  
**December 31, 2003**

## **CORPORATE PROFILE**

TrekLogic 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. TrekLogic'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 42 internally-hosted specialized job boards.

### **Brainhunter HCM Technology**

The Brainhunter HCM technology, particularly when combined with the TrekLogic Solutions delivery expertise, allows the execution of a high growth consolidation strategy in the Staffing Services industry. Brainhunter HCM technology results in increased revenue from identifying higher quality candidates, faster response and delivery times, faster and better matching of candidates to jobs, broader market coverage and deeper client penetration. Costs are reduced on all fronts including sales and marketing, recruiting, candidate acquisition and infrastructure. Brainhunter's end-to-end integrated HCM solution provides vendor management, applicant tracking, back office systems and job board capability that puts competitors at a significant disadvantage. It reduces customers' total staffing costs, enhances customer penetration strategies and customer retention, increases the quality and size of the resume database, allows TrekLogic better control over its gross margins and enhances TrekLogic's relationship with the contract-based personnel deployed to customers. The Brainhunter HCM software platform is

highly scalable and significantly enhances the ability to integrate Staffing Services acquisitions quickly, efficiently and profitably.

### **About Brainhunter**

Brainhunter's fully integrated staffing management portal provides a robust web-enabled HCM technology platform designed to improve workflow effectiveness and minimize staffing costs. It automates recruiting, manages staffing vendors and captures, edits, stores, retrieves and shares critical information about recruiting human capital. Brainhunter offers an enterprise wide solution organized into multiple distinct but integrated business applications / models as follows:

**Self-Serve staffing agency** - a web-enabled staffing platform that provides an automated recruiting solution, internally and externally;

**CareerSite** - a job board technology platform allowing the creation and management of highly specialized job boards along specialized skill sets;

**TalentFlow** - a resume management and applicant tracking software solution that manages both resume databases and the interaction between the job candidate and the employer; and

**Vendor Management** - empowers the client to effectively manage and measure the performance of multiple Staffing Services vendors by automating the procurement process between the client and the vendor.

**Back Office Systems** - substantially improves administrative efficiency of Staffing Services operations and payroll management by delivering electronic web based time sheet capability, electronic invoicing/billing module that supports consolidated billing, purchase order management and direct deposit payment processing.

Each of the modules can operate on a stand-alone basis or be fully integrated with each other. One significant competitive advantage of Brainhunter's proprietary HCM technology is the database engine that captures, screens, and presents candidates to clients in an accurate and timely manner. The system is rules-based, and relies on translating recruiting and screening techniques capturing over 100 person years of recruiting expertise developed into automated screening algorithms across many industry verticals. The database uses both structured (SQL) searches on quantitative information (e.g. number of years of experience of a particular skill) and text processing from information stored within resumes along with a number of techniques to pre-screen and rank candidates vis-a-vis the job requirement. Additionally, the platform offers technical knowledge assessment, computer based training and dynamic interview booking on-line, as well as drug testing, and criminal records and background checking, with results delivered on-line.

### **Brainhunter's Technology is the Leading Fully Integrated HCM Platform**

Brainhunter's HCM technology surpasses the level and scope of capability provided by competitive firms. The fully-integrated functionality of the HCM technology platform far exceeds the functionality of competitors' solutions. The various business applications, including TalentFlow (applicant tracking system), quickly and easily interface to most leading Human Resource Information Systems ("HRIS"). Brainhunter's HCM

technology is leading edge software built using a J2EE framework written in JAVA using Oracle as a database running on a UNIX operating system, supported by over 75 highly specialized technical staff and a sophisticated internally-managed hosting and data centre infrastructure. The HCM technology and business process infrastructure allows Brainhunter to manage and grow, organically and via acquisition, a Staffing Services business faster, better and cheaper than its competitors.

## **MESSAGE TO SHAREHOLDERS**

### **Highlights of the Quarter Ending December 31, 2003**

- ✓ Financial Statements includes the quarter-end balance sheets and results from date of acquisition of two acquisitions since September 30, 2003:
  - (a) 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.
  - (b) 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.
- ✓ The company’s shares were listed for trading on the TSX effective November 14, 2003

## **FINANCIAL RESULTS**

### **Revenues**

Revenues for the quarter ending December 31, 2003 reached \$16,305,181, up from \$2,159,691 for the quarter ending December 31, 2002. TrekLogic revenues include revenues for the companies acquired, from their effective date of acquisition:

- Prolink Consulting Group Inc. from October 1, 2003; and
- Sirius Consulting Group Inc. from November 1, 2003.

### **Expenses**

The largest component of expenses is personnel costs which, between consulting fees and salaries and benefits, were 87% of revenues for the quarter ended December 31, 2003, which compares to 73% for the quarter ended December 31, 2002. This change reflects the growth of the company from a solutions-based business to a recruiting and staffing solutions company.

General and Administration costs for the quarter ended December 31, 2003 were 5.8% of Revenues, down slightly from the 7.6% of Revenues for the quarter ended December 31, 2002.

### **Earnings from Operations**

Earnings from Operations for the quarter ended December 31, 2003 were \$1,187,002, an increase in absolute terms over the quarter ended December 31, 2002, which was \$410,068. As the acquired companies are integrated into the TrekLogic structure, integration cost savings will be implemented which, management is confident, will result in EBITDA increasing as a % of revenue.

### **Income Tax Expense**

The company has recorded an expense for income taxes normal for a company of this size and type of business. However, the company has sufficient tax losses available, as a result of companies acquired in 2003 and in 2002, such that management believes TrekLogic has sufficient tax loss carryforwards to offset the majority of any income tax liabilities for the fiscal year ending September 30, 2004.

### **Working Capital and Cash**

Working capital at December 31, 2003 is \$1,012,122 down from \$4,096,100 at September 30, 2003. At the same time the Cash position of the Company is shown as a net bank-indebtedness of \$4,675,035 at December 31, 2003, an increase in current net borrowing from \$110,818 as at September 30, 2003. This results from recording the payments for the cash components of the Prolink and Sirius acquisitions.

As part of the Company's overall business strategy, working capital and cash available increased subsequent to December 31, 2003 upon execution of the following:

- increased the current bank lines from \$4,000,000 to \$7,000,000 on January 16, 2004, with a further increase to \$9,500,000 expected before March 31, 2004; and
- closed a \$10,000,000 equity private placement on February 2, 2004.

## **SUBSEQUENT EVENTS**

- (a) On February 3, 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. The Company's Chairman and Chief Executive Officer and one Director acquired \$1.5M of the financing.
- (b) The Company has offered to purchase all the issued and outstanding common shares of InBusiness so as to take the Company's ownership interest to 100% from 62.3%. The cost to purchase the remaining shares, after the related debt is converted, is anticipated to be \$4.8M.