

**TREKLOGIC TECHNOLOGIES INC.**  
**FORM 51-901F—SCHEDULE C—MANAGEMENT DISCUSSION**  
**September 30, 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 Year Ending September 30, 2003**

- ✓ Completed five acquisitions since September 30, 2002:
  - Brainhunter.com Ltd.;
  - InBusiness Solutions Inc. (approximately 62% of this publicly-traded company);
  - the IT Solutions assets of Thinkpath Inc.;
  - Advanced Solutions Group Limited; and
  - Protec Employment Solutions.
- ✓ Completed 3 Private Placement Financings
  - \$430,000 in December, 2002
  - \$4,000,000 in April, 2003; and
  - \$3,300,000 in July, 2003.

### **\$4,000,000 Private Placement Financing**

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.

The purpose of the Financing was to fund the acquisition of Brainhunter and to acquire control of InBusiness Solutions Inc.

### **Acquisition of Brainhunter**

On April 9, 2003, the Company acquired 100% of the capital of Brainhunter, a private company in the Staffing business. As well, Brainhunter provides a web-enabled end-to-end recruitment technology. The consideration for the acquisition is:

|   |                    |
|---|--------------------|
| Cash on closing (net of cash in Brainhunter on closing)   | \$1,643,527        |
| Issue of Convertible Preferred Shares at \$0.50 per share. These shares are convertible into common shares at the option of the holder.                                     | 1,093,055          |
| Interest-free Vendor Take-Back payable over three years based on a percentage of revenue  | 840,367            |
| Interest-free Vendor Take-Back payable at the end of three years in Common shares of TrekLogic Technologies Inc. at the market price of the shares prevailing at that time. | 458,382            |
| Transaction costs   | <u>48,500</u>      |
| Total   | <u>\$4,083,831</u> |

Brainhunter will provide TrekLogic with a very distinctive competitive advantage in executing a disciplined growth strategy within TrekLogic's Staffing Division.

TrekLogic's Business Strategy is focused on developing High Value Added Technology Services built on Distinct Competitive Advantages. The Brainhunter technology solution provides TrekLogic's Staffing Division with a Sustainable Competitive Advantage that increases revenue opportunities, reduces costs and provides a high value business proposition that enhances customer retention. Effectively, the Brainhunter technology, particularly when combined with the TrekLogic solutions expertise, allows TrekLogic to execute a high growth consolidation strategy in the staffing industry -- Faster, Cheaper and Better. Increased revenue will result from higher quality of candidates, faster response and delivery times, faster and better matching of candidates to jobs, broader market coverage and deeper client penetration. Costs will be reduced on all fronts including sales and marketing, recruiting, candidate acquisition and infrastructure. This end-to-end integrated supply chain solution will provide master vendor capability that provides a significant competitive advantage in that it reduces customers' total staffing costs, enhances customer penetration strategies and customer retention, allows TrekLogic better control over its gross margins and enhances TrekLogic's relationship with the contract-based personnel deployed by TrekLogic with customers.

### **Acquisition of control of InBusiness**

In February, 2003, the Company reached an agreement (the "Agreement") with InBusiness, an Ottawa-based public company (TSX Venture: BIZ.T) operating in both the Solutions and Staffing businesses. Under the terms of the agreement, the Company agreed to advance to InBusiness \$2,000,000 in the form of a Convertible Debenture (the "Debenture") whereby, upon approval by the InBusiness shareholders, the Debenture would convert to 30,000,000 equity units of InBusiness as follows:

- \$500,000: 10,000,000 common shares at \$0.05 per share and 10,000,000 common share warrants where one warrant plus \$0.10 will entitle the holder to acquire one share for a period of twenty-four (24) months from the Closing Date; and
- \$1,500,000: 20,000,000 common shares at \$0.075 per share and 20,000,000 common share warrants where one warrant plus \$0.10 will entitle the holder to acquire one share for a period of twenty-four (24) months from the Closing Date.

Pursuant to the Agreement, the following occurred:

- In March, 2003, the Company advanced \$650,000 towards the purchase of the Debenture.
- In April, 2003, the Company advanced the remaining \$1,350,000 towards the purchase of the Debenture, and closed the transaction acquiring the Debenture.
- On April 29, 2003, the shareholders of InBusiness at a special meeting approved the terms of the Convertible Debenture. Immediately, the Company converted the Debenture to Common Shares of InBusiness.

As a result of the above actions, the Company now owns approximately 62.3% of the outstanding shares of InBusiness.

Concurrent with the conversion of the Debenture to Common Shares as described above, a private company controlled by two directors of TrekLogic Technologies Inc. invested \$350,000 to acquire control of a pre-existing convertible debenture obligation of InBusiness.

The Company on December 12, 2003 issued a public offer to acquire the remaining outstanding shares of Inbusiness at a price of \$0.15 per share.

InBusiness is an established IT solutions and services company that delivers technology solutions in business intelligence, Oracle applications, systems integration and wireless/portal applications. With a team of over 160 IT professionals, InBusiness' clients include Fortune 500 corporations and government departments located in both Canada and the United States.

#### **Acquisition of the IT Assets of Thinkpath**

Effective June 9, 2003, the Company acquired, through its subsidiary Brainhunter, the IT staffing business of Thinkpath for \$200,000 cash and a \$60,000 promissory note. It is expected that the acquisition of the 35 Thinkpath contracts with mostly blue-chip companies will generate approximately \$3,500,000 in revenue on an annual basis as well as opening the doors to further expansion of business with these clients. One senior executive of Thinkpath joined Brainhunter as part of the transaction.

#### **Bank Credit Facilities**

On May 31, 2003 the Company concluded a financing arrangement with a Canadian chartered bank to provide a \$2,000,000 revolving credit facility to TrekLogic at Prime +

1.5% and a separate \$2,000,000 revolving credit facility to InBusiness, also at Prime + 1.5%.

### **\$3,300,000 Private Placement Financing**

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. 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, 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.

### **Issue of Options**

On July 7, 2003, the Company issued, pursuant to its current stock option plan, 1,200,000 options to executive officers and others with an exercise price of \$0.71, expiring on July 7, 2008, 1/3 vesting 12 months from date of issue, 1/3 vesting 24 months from date of issue and 1/3 vesting 36 months from date of issue

### **Advanced Solutions Group Inc.**

Effective June 30, 2003, the Company acquired all of the issued and outstanding shares of Advanced Solutions Group Inc. ("Advanced"), 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 ("ProTec"), 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.

## **FINANCIAL RESULTS**

### **Revenues**

Revenues for the year ending September 30, 2003 reached \$22,281,605, up from \$6,480,742 for the previous year. TrekLogic revenues include partial years' revenues for the companies acquired, from their effective date of acquisition:

- Brainhunter.com Ltd. from March 1, 2003;
- InBusiness Solutions Inc. from May 1, 2003;
- Advanced Solutions Group Inc. from July 1, 2003;
- the business of Thinkpath from July 1, 2003; and
- Protec Employment Solutions Inc. from August 1, 2003.

### **Expenses**

The largest component of expenses is personnel costs which, between consulting fees and salaries and benefits, were 85% of revenues for the year ended September, 2003, which compares to 66% for the previous year. This change reflects the growth of the company from a solutions-based business to a recruiting and staffing solutions company.

General and Administration costs remained constant as a % of Revenues at approximately 6.5%

### **Earnings before interest, amortization, income taxes and non-controlling interest (EBITDA)**

EBITDA for the year ending September 30, 2003 was \$1,853,261, an increase in absolute terms over 2002. 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 this year and in 2002, that no income taxes are payable for this year. In addition, 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**

Working capital at September 30, 2003 is \$4,096,100, up from \$1,449,142 at September 30, 2002.

### **Cash**

TrekLogic had, at September 30, 2003, cash on hand of \$2,568,375 and bank-indebtedness of \$2,679,193 for a net bank-indebtedness of \$110,818. In addition to the cash on hand, the company had \$1,320,807 undrawn and available of its \$4,000,000 in current bank lines

## Subsequent Events

- (a) The Company completed the purchase of 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 will be included in the consolidated financial statements of the Company effective October 1, 2003.
- (b) The Company completed the purchase of 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 periods and a cash amount, to be determined, based on working capital. Results of Sirius will be included in the consolidated financial statements of the Company effective November 1, 2003.
- (c) 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.
- (d) 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.
- (e) On January 16, 2004, the Company increased its current bank lines from \$4 million to \$7 million, at an annual interest rate of Prime + 1.5%.