

TREKLOGIC TECHNOLOGIES INC.

FINANCIAL STATEMENTS

For the period ended June 30, 2003

TREKLOGIC TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEET

	June 30, 2003	Sep 30, 2002
Cash	\$0	\$408,268
Accounts Receivable	6,848,545	2,145,378
Income Taxes Recoverable	11,442	246,074
Prepays and deposits	514,640	65,745
Discontinued Operations (net)	122,601	0
Future Income Tax Asset	<u>0</u>	<u>356,000</u>
Total Current Assets	<u>7,497,228</u>	<u>3,221,465</u>
Capital Assets (net of depreciation)	1,254,424	133,482
Software	2,000,000	0
Goodwill	1,400,308	514,470
Notes Receivable from Related Parties	233,405	247,737
Future Income Tax Asset	<u>4,717,702</u>	<u>75,000</u>
Total Non-current assets	<u>9,605,839</u>	<u>970,689</u>
Total Assets	<u>\$17,103,067</u>	<u>\$4,192,154</u>
Bank Indebtedness (net of cash on hand)	\$1,627,304	\$0
Accounts payable and accrued liabilities	1,423,337	1,714,604
Amounts due to staffing contractors	3,283,289	0
Deferred Revenue	<u>217,099</u>	<u>57,719</u>
Total Current Liabilities	<u>6,551,029</u>	<u>1,772,323</u>
Long Term Obligations	955,260	0
Convertible Debt Obligations	1,458,382	0
Non-Controlling Interests	194,074	0
Common Shares	5,542,210	767,325
Retained Earnings	<u>2,402,112</u>	<u>1,652,506</u>
Total Equity	<u>7,944,322</u>	<u>2,419,831</u>
Total Liabilities and Equity	<u>\$17,103,067</u>	<u>\$4,192,154</u>

Approved on behalf of the Board:

John McKimm Director

Stanley Yu Director

TREKLOGIC TECHNOLOGIES INC.

CONSOLIDATED INCOME STATEMENT

	3 months ended June 30		9 months ended June 30	
	2003	2002	2003	2002
Services	974,363	983,073	2,864,571	2,617,967
Product sales	224,853	56,411	485,555	683,903
Staffing	<u>5,711,144</u>	<u>117,693</u>	<u>8,163,987</u>	<u>422,212</u>
Total Revenues	<u>6,910,360</u>	<u>1,157,177</u>	<u>11,514,113</u>	<u>3,724,082</u>
Cost of revenues	<u>4,787,636</u>	<u>421,314</u>	<u>7,395,446</u>	<u>1,750,534</u>
Gross margin	<u>2,122,724</u>	<u>735,863</u>	<u>4,118,667</u>	<u>1,973,548</u>
Other staffing costs	1,146,747	288,052	1,912,885	634,828
General, selling and administrative	<u>233,853</u>	<u>105,087</u>	<u>604,203</u>	<u>401,124</u>
Total Operating Expenses	<u>1,380,600</u>	<u>393,139</u>	<u>2,517,088</u>	<u>1,035,952</u>
Earnings from Operations	<u>742,124</u>	<u>342,724</u>	<u>1,601,579</u>	<u>937,596</u>
Integration Costs	<u>73,715</u>	<u>0</u>	<u>73,715</u>	<u>0</u>
Earnings before Interest, Taxes and Amortization	<u>668,409</u>	<u>342,724</u>	<u>1,527,864</u>	<u>937,596</u>
Interest (net)	32,100	0	32,100	0
Amortization	<u>164,674</u>	<u>0</u>	<u>194,508</u>	<u>20,000</u>
Total Interest and Amortization	<u>196,774</u>	<u>0</u>	<u>226,608</u>	<u>20,000</u>
Earnings before income taxes	<u>471,635</u>	<u>342,724</u>	<u>1,301,256</u>	<u>917,596</u>
Income taxes	<u>183,938</u>	<u>125,000</u>	<u>470,657</u>	<u>330,000</u>
Net earnings	<u>287,697</u>	<u>217,724</u>	<u>830,599</u>	<u>587,596</u>
Non-controlling Interests	<u>80,993</u>	<u>0</u>	<u>80,993</u>	<u>0</u>
Earnings attributable to shareholders	<u>206,704</u>	<u>217,724</u>	<u>749,606</u>	<u>587,596</u>
Retained earnings, start of period	<u>2,195,408</u>	<u>946,409</u>	<u>1,652,506</u>	<u>576,537</u>
Retained earnings, end of period	<u>\$2,402,112</u>	<u>\$1,164,133</u>	<u>\$2,402,112</u>	<u>\$1,164,133</u>
Earnings per share--basic	\$0.009	\$0.010	\$0.026	\$0.028
Earnings per share--diluted	\$0.008	\$0.009	\$0.022	\$0.026
Basic	32,327,008	20,911,398	32,327,008	20,911,398
Diluted	37,826,344	22,992,394	37,826,344	22,992,394

TREKLOGIC TECHNOLOGIES INC.

CONSOLIDATED STATEMENT of CASH FLOWS

	3 Months ended June 30		9 Months ended June 30	
	June 30	June 30	June 30	June 30
	2003	2002	2003	2002
Cash provided by:				
Operating Activities				
Net Income	\$206,704	\$217,724	\$749,606	\$587,596
Adjustments for items not affecting cash:				
Income tax expense offset by losses carried forward	183,898	125,000	470,657	330,000
Amortization	<u>164,624</u>	<u>0</u>	<u>194,508</u>	<u>20,000</u>
	555,226	342,724	1,414,771	937,596
Net change in non-cash operating working capital	<u>(1,416,456)</u>	<u>(382,567)</u>	<u>(2,071,268)</u>	<u>(937,996)</u>
	<u>(861,230)</u>	<u>(39,843)</u>	<u>(656,497)</u>	<u>(400)</u>
Investing Activities				
Business Acquisitions net of cash acquired	(4,295,222)	0	(4,945,222)	0
Advances to Related Parties	12,801	(121,600)	14,332	(201,639)
Change in Future Income Tax Asset	0	170,000	0	0
Purchase of Capital assets	<u>(34,727)</u>	<u>(1,663)</u>	<u>(80,015)</u>	<u>(40,183)</u>
	<u>(4,317,148)</u>	<u>46,737</u>	<u>(5,010,905)</u>	<u>(241,822)</u>
Financing activities				
Funds received for private placement	3,490,005	0	3,631,830	0
Shares Issued to former TrekLogic Inc. shareholders and others	0	117,901	0	304,332
	<u>3,490,005</u>	<u>117,901</u>	<u>3,631,830</u>	<u>304,332</u>
Increase (decrease) in cash	(1,688,373)	124,795	(2,035,572)	62,110
Cash beginning of period	<u>61,069</u>	<u>156,522</u>	<u>408,268</u>	<u>219,207</u>
Cash end of period	<u>(\$1,627,304)</u>	<u>\$281,317</u>	<u>(\$1,627,304)</u>	<u>\$281,317</u>

TREKLOGIC TECHNOLOGIES INC.

NOTES TO FINANCIAL STATEMENTS

1 Nature of Business

The Company is an Information Technology (“IT”) services company providing contract services (“Staffing”) and software solutions services (“Solutions”) to a high profile corporate and government client base in Canada and the United States. The Solutions business is primarily based in the U.S. and Ottawa, and is built around a number of high value added specialty practice areas. The Staffing division is the growth area of TrekLogic’s business, focused on contract and permanent IT staffing across a complete web-enabled, fully-integrated recruiting software platform called Brainhunter. The business is primarily based in Toronto and Ottawa.

2 Amalgamation

On October 1, 2002, TrekLogic Inc., a subsidiary of TrekLogic Technologies Inc., amalgamated with Next Millennium Inc., a 100%-owned subsidiary of TrekLogic Inc. The amalgamation is being accounted for as a purchase with TrekLogic Inc. as purchaser. There is no effect on the balance sheet as Next Millennium had previously been accounted for as a wholly-owned subsidiary.

3 Summary of Significant Accounting Policies

Basis of Presentation

The balance sheet at June 30, 2003 is the consolidation of the balance sheets of TrekLogic Technologies Inc. and its subsidiary companies TrekLogic Inc., InBusiness Solutions Inc., Brainhunter.com Ltd. and Xycorp Inc. The balance sheet at September 30, 2002 is the balance sheet of TrekLogic Technologies Inc., with consolidation of its subsidiaries TrekLogic Inc. and Xycorp Inc.

The income statements for the 3 month and 9 month periods ending June 30, 2003 are the consolidated results of TrekLogic Technologies Inc. and its subsidiaries TrekLogic Inc. and Xycorp Inc. for the entire periods and for its subsidiaries Brainhunter.com Ltd. and InBusiness Solutions Inc. from dates of acquisition. The income statements for the 3 month and 9 month periods ending June 30, 2002 are the consolidated results of TrekLogic Inc. together with its wholly-owned subsidiary, Next Millennium Inc.

Revenue Recognition

Where the Company enters into written contracts with customers to complete specific software consulting projects, customer billings are prepared monthly based on hours worked and agreed rates, and revenue is recognized at that point. A small portion of the contracts (about 10%) are fixed price, for which revenue is recognized monthly on a percentage of completion basis.

Where the Company supplies IT personnel to clients based on written agreements, revenue is recognized monthly when clients are billed based on hours worked and agreed rates.

Where the Company markets software, the clients are billed and revenue is recognized upon delivery of the software or according to the terms of licencing agreements. The Company also supplies consulting and training services regarding the software, for which revenue is recognized when clients are billed upon completion of the work.

Capital Assets

Capital assets are recorded at cost, less related investment tax credits. Amortization is provided for on a declining balance basis except for leasehold improvements which is on a straight line basis over their estimated useful lives at the following rates:

Furniture and office equipment	20%
Computer equipment	30%
Leasehold improvements	5 years

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Items in the statement of income and retained earnings are translated at the average rate of exchange for the month during which transactions take place. Gains and losses from translation are included in earnings for the current year.

Earnings per Share

Basic earnings per share is calculated using the number of common and convertible preferred shares outstanding as of the date of the balance sheet (32,327,008 at June 30, 2003), (20,911,398 at June 30, 2002). Fully diluted earnings per share is calculated based on the exercise of all warrants and options issued (5,499,336 at June 30, 2003), (2,080,996 at June 30, 2002).

Investment Tax Credits

Investment tax credits relating to research and development expenditures are recorded as a reduction of expenses when the related costs are incurred and there is reasonable assurance that the credits will be realized.

4 Notes Receivable from Related Parties

The notes consist of short-term loans to shareholders, including loans made to shareholders to acquire shares of the Company from former major shareholders of Stepping Solutions Inc., a private company which was amalgamated with TrekLogic Inc, on September 30, 2001.

5 Acquisition of Brainhunter.com Ltd.

On April 9, 2003, 100% of the shares of Brainhunter.com Ltd. were acquired for a total consideration of \$4,631,000 including \$2,239,196 cash; an interest-free Vendor Take-back of \$840,367 payable over 3 years based on a percentage of revenue; and an interest-free

Vendor Take-back of \$458,382 payable at the end of three years in common shares of the Company based on share prices prevailing at that time, subject to certain trading restrictions. Additionally, \$1,093,055 of convertible preferred shares, convertible into TrekLogic common shares on a 1:1 basis, were issued at \$0.50 per share. The total purchase price has been allocated to the assets and liabilities of Brainhunter.com Ltd. based on their estimated fair values at the acquisition date as follows:

Purchase price	<u>\$4,631,000</u>
Assigned values:	
Current assets	\$ 814,177
Capital assets	460,515
Future Income Tax Asset	1,677,620
Software developed by Brainhunter	2,000,000
Liabilities	<u>(321,312)</u>
Net identifiable assets per balance sheet of Brainhunter	<u>\$4,631,000</u>
 Total consideration	 <u>\$4,631,000</u>

6 Acquisition of InBusiness Solutions Inc.

On April 30, 2003 the Company acquired control of InBusiness Solutions Inc. ("InBusiness"), a publicly-traded Ottawa-based corporation, for \$2,000,000 cash in exchange for 30 million common shares and 30 million common share purchase warrants of InBusiness, which comprise approximately 62.3% of the outstanding common shares of InBusiness. This acquisition of control has been accounted for using the purchase method, with the purchase price allocated to the Company's portion of the assets and liabilities of InBusiness based on their estimated fair values at the acquisition date as follows:

Purchase price	<u>\$2,000,000</u>
Assigned values:	
Current assets	\$2,433,875
Capital assets	482,697
Future income tax asset	2,379,576
Identifiable intangible assets	285,286
Liabilities	<u>(3,581,434)</u>
Net identifiable assets	<u>\$2,000,000</u>
 Total consideration	 <u>\$2,000,000</u>

7 Acquisition of Assets of Thinkpath Inc.

On June 27, 2003 the Company acquired the Information Technology assets of Thinkpath Inc. for \$260,000 composed of \$200,000 cash and an interest-free promissory note for the remaining \$60,000. The acquired assets include the ongoing business of 33 contract staff and use of the Thinkpath name. The purchase price has been allocated to goodwill.

8 \$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.

9 Income Taxes Recoverable, net of taxes payable

Investment tax credits recoverable	\$526,338
Income taxes payable	<u>(280,264)</u>
Balance September 30, 2002	246,074
For the 9 months ending June 30, 2003	
Receipt of remaining 2001 credit	(76,338)
Estimated tax credits recoverable	312,363
Estimated tax expense	<u>(470,657)</u>
Balance June 30, 2003	<u>\$11,442</u>

10 Income Taxes

The companies which TrekLogic acquired have losses available to be offset against future taxable income. The amounts are as follows:

As at September 30, 2002, the subsidiary Xycorp Inc. had losses of approximately \$1.3 million, expiring mostly between 2006 and 2009.

As at April 30, 2003, InBusiness Solutions Inc. had losses of approximately \$11 million, expiring mostly between 2006 and 2009.

As at December 31, 2002, Brainhunter.com Ltd. had losses of approximately \$6 million in Canada and \$2 million in the USA, expiring mostly between 2006 and 2009

11 Deferred Revenue

This amount reflects advance payments for consulting services which have not yet been claimed by the clients.

12 Share Capital

Authorized:

Unlimited number of Common shares

Unlimited number of Preferred shares

Unlimited number of Convertible Preferred shares

Issued:

	Number of Shares	\$
Common Shares		
Share Capital of TrekLogic Inc. as at September 30, 2001 per Audited Financial Statements	1,000	\$10
Shares issued pursuant to share split October 1, 2001	<u>7,991,000</u>	<u>\$0</u>
Share Capital after Share Split October 1, 2001	7,992,000	\$10
Acquisition and amalgamation with Stepping Solutions Inc. October 1, 2001	<u>2,617,654</u>	<u>323,813</u>
	10,609,654	323,823
Reverse takeover of TrekLogic Technologies Inc. June 25, 2002		
TrekLogic Inc. shares surrendered	(10,609,654)	
TrekLogic Technologies Inc. shares issued to former TrekLogic Inc. shareholders and others	18,111,398	156,002
Publicly held shares of TrekLogic Technologies Inc. at June 25, 2002	2,800,000	
Funds received on behalf of a Private Placement which was closed off December 23, 2002		287,500
Balance September 30, 2002	20,911,398	\$767,325
Funds received on behalf of a Private Placement which was closed off December 23, 2003		<u>106,823</u>
Balance December 31, 2002	20,911,398	\$874,148
Funds received and shares issued pursuant to a Private Placement which was closed off December 23, 2003	<u>1,229,500</u>	<u>35,002</u>
Balance March 31, 2003	<u>22,140,898</u>	<u>\$909,150</u>
Shares issued re private placement April 15, 2003	6,000,000	2,655,004
Balance June 30, 2003	<u>28,140,898</u>	<u>\$3,564,154</u>
Convertible Preferred Shares		
Shares issued April 9, 2003 to acquire Brainhunter.com Ltd	2,186,110	1,093,055

Shares issued re private placement April 15, 2003	<u>2,000,000</u>	<u>885,001</u>
Balance June 30, 2003	<u>4,186,110</u>	<u>\$1,978,056</u>

Total Common and Convertible Preferred Shares as at June 30, 2003	<u>32,327,008</u>	<u>\$5,542,210</u>
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The Convertible Preferred Shares are identical to Common Shares in every respect, including voting rights, with the exception of a liquidity preference. The Preferred Shares will not be listed for trading, but will be convertible at any time into one Common Share each at the option of the holder.

On January 2, 2003, the Company received final regulatory approval for a private placement of \$430,325, for which the Company issued 1,229,500 units, each unit consisting of one common share and one purchase warrant. Each warrant entitles the holder to acquire one common share at \$0.35 in the first year and at \$0.40 in the second year.

On April 9, 2003, as part of the purchase of 100% of the shares of Brainhunter.com Ltd. the Company issued 2,186,110 Convertible Preferred Shares at a price of \$0.50 each. In addition the Company issued an interest-free Vendor Take-back of \$458,382 payable at the end of three years in common shares of the Company based on share prices prevailing at that time, subject to certain trading restrictions.

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. All shares are subject to a four-month hold period.

Escrowed Shares

Of the 2,800,000 Common shares of TrekLogic Technologies Inc. held by the public prior to the completion of the reverse takeover transaction, 1,300,000 are held in escrow. The shares will be released from escrow in three equal releases on July 22, 2003, July 22, 2004 and July 22, 2005.

Of the balance of the Common shares of TrekLogic Technologies Inc., 7,811,378 shares were held in escrow at June 30, 2003. The release of these shares from escrow occurs as follows:

July 22, 2003	3,905,689
January 22, 2004	3,905,689

Options

The Company established a stock option plan for its original directors and officers on January 27, 2000 reserving for issuance 280,000 shares. The options became effective August 23, 2000. The options are exercisable for a period ending August 22, 2005 at a price of \$0.20 per common share. To date no options have been exercised.

On March 28, 2002, the Company established a second stock option plan for its employees, consultants and directors. Under the terms of the plan the Company reserved for issuance 2,091,141 shares. On June 19, 2003, disinterested shareholders approved the increase of the number of shares available for issuance under the plan to 4,182,279

Under the terms of the plan the following options were issued on July 27, 2002 at an exercise price of \$0.30 per share to expire July 22, 2007.

Directors

700,000 shares, vesting as to 25% on July 22, 2002 or as issued, 25% six months from date of issue, 25% 12 months from date of issue and 25% 18 months from date of issue.

Employees

889,840 shares, 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.

Under the terms of the plan 139,900 options were issued to Employees on February 20, 2003 at an exercise price of \$0.35 per share to expire February 20, 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.

Under the terms of the plan the issue of 1,000,000 options to a director of the Company was approved by disinterested shareholders on June 19, 2003, exercisable at \$0.50 per share until June 19, 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

As of June 30, 2003, no options have been exercised.

Warrants

In connection with the Reverse Take-over between TrekLogic Inc. and TrekLogic Technologies Inc. in June, 2002, the Company issued 1,799,996 Share Purchase Warrants, each warrant exercisable at \$0.30 per share, expiring on September 30, 2004. Of the Warrants issued, 804,400 remained in escrow as at June 30, 2003. The release of these warrants from escrow occurs as follows:

July 22, 2003	402,200 warrants
January 22, 2004	402,200 warrants

In connection with a Private Placement which closed on December 23, 2002 and for which the TSX issued final approval on January 2, 2003, the Company issued 1,229,500 Share Purchase Warrants, expiring on December 23, 2004. Each warrant is exercisable at \$0.35 per share until December 23, 2003 and \$0.40 per share until December 23, 2004.

In connection with a Private Placement which closed on April 15, 2003, 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.

As of June 30, 2003, no warrants have been exercised.

13 Commitments

The Company has no financial commitments, which are material to its net assets or to its current or anticipated earnings.

14 Capital Assets	June 30 2003	Sept 30 2002
Cost		
Computer Equipment	\$2,659,340	\$170,011
Furniture & Fixtures	810,691	45,759
Leasehold Imp	<u>323,124</u>	<u>22,185</u>
Total	3,793,155	237,956
Less: Accum Dep'n	<u>2,538,732</u>	<u>104,474</u>
Net Book Value	<u>\$1,254,424</u>	<u>\$133,482</u>

15 Segmented Information

In Fiscal 2003, the Company operated in two reportable segments, namely "Solutions" and "Staffing". Solutions involves the implementation of solutions that meet a customer's specific business needs, whereas Staffing involves the placement of technology personnel generally under the supervision of the customer, and on the customer's premises.

The Company evaluates performance and allocates resources based on earnings before income taxes. The Company does not segregate assets between Solutions and Staffing. The accounting policies of the segments are the same as those described in Note 3.

For the 3 months ended June 30, 2003:

	Solutions	Staffing	Total
Revenue	\$1,199,216	\$5,711,144	\$6,910,360
Cost of revenues	<u>432,601</u>	<u>4,355,036</u>	<u>4,787,637</u>
Gross margin	766,615	1,356,108	2,122,723
Operating expenses	<u>522,235</u>	<u>858,364</u>	<u>1,380,599</u>
Earnings from Op'ns	244,380	497,744	742,124
Integration Costs	<u>33,000</u>	<u>40,715</u>	<u>73,715</u>
EBITDA	211,380	457,029	668,409
Interest	2,039	30,061	32,100
Depreciation	<u>12,000</u>	<u>152,674</u>	<u>164,674</u>
Earnings before Income Tax	197,341	274,294	471,635
Income tax expense	<u>76,963</u>	<u>106,975</u>	<u>183,938</u>
Net earnings	120,378	167,319	287,697
Non-controlling Interests	0	(80,993)	(80,993)
Income to shareholders	<u>\$120,378</u>	<u>\$86,326</u>	<u>\$206,704</u>

For the 9 months ended June 30, 2003:

	Solutions	Staffing	Total
Revenue	\$3,350,126	\$8,163,987	\$11,514,113
Cost of revenues	<u>1,029,812</u>	<u>6,365,635</u>	<u>7,395,447</u>
Gross margin	2,320,314	1,798,352	4,118,666
Operating expenses	<u>1,478,369</u>	<u>1,038,718</u>	<u>2,517,087</u>
Earnings from operations	841,945	759,634	1,601,579
Integration Costs	<u>33,000</u>	<u>40,715</u>	<u>73,715</u>
EBITDA	808,945	718,919	1,527,864
Interest	7,707	24,393	<u>32,100</u>
Depreciation	<u>36,000</u>	<u>158,508</u>	<u>194,508</u>
Earnings before Income Tax	765,238	536,018	1,301,256
Income tax expense	<u>298,443</u>	<u>172,214</u>	<u>470,657</u>
Net income	466,795	363,804	830,599
Non-controlling Interests	<u>0</u>	<u>(80,993)</u>	<u>(80,993)</u>
Income to shareholders	<u>\$466,795</u>	<u>\$282,811</u>	<u>\$749,606</u>

16 Revolving Demand Facility

On May 31, 2003, the Company secured a \$2,000,000 revolving demand facility at prime plus 1.50% per annum. In addition, the Company obtained a \$2,000,000 revolving demand facility at prime plus 1.50% per annum for its subsidiary company, InBusiness Solutions Inc.

17 Contingency

During Fiscal 2002, the Company acquired Xycorp Inc. In the event that Xycorp Inc. achieves a certain level of profitability following the acquisition, additional consideration will become payable over a five year period to July, 2007. The maximum additional payment is \$229,000.

18 Long Term Debt

Non-interest debenture issued on acquisition of Brainhunter.com Ltd. repayable quarterly to March, 2006	\$840,367
Other (miscellaneous capital leases)	<u>114,893</u>
Total	<u>\$955,260</u>

19 Convertible Debt

Of the \$2,413,642 of long term debt, approximately \$1,458,382 is expected to be converted to equity. Details are as follows:

6% Interest convertible debenture on books of InBusiness Solutions Inc. expected to be converted to equity within 12 months	\$1,000,000
Non-interest Debenture issued on acquisition of Brainhunter.com Ltd. repayable by shares of the Company in March, 2006 at prevailing trading prices, subject to certain trading restrictions	<u>458,382</u>
Total	<u>\$1,458,382</u>

20 Subsequent Events

\$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, new directors 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

Acquisition of Advanced Solutions Group Inc.

On July 31, 2003, the company announced the acquisition of Advanced Solutions Group Inc., ("Advanced") effective July 1, 2003. The purchase price is 100,000 shares and 50,000 share purchase warrants of the Company and an amount equal to the working capital of Advanced as at June 30, 2003. Advanced is a solutions-based business with an extensive blue-chip client base.