

BRAINHUNTER INC.

FORM 51-901F—SCHEDULE C—MANAGEMENT DISCUSSION

June 30, 2004

CORPORATE PROFILE

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 42 internally-hosted specialized job boards.

Brainhunter HCM Technology

The Brainhunter HCM technology, particularly when combined with the Brainhunter 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 Brainhunter better control over its gross margins and enhances Brainhunter'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 he 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.

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

I am pleased to announce that the results for the third quarter ending June 30, 2004 continue to demonstrate strong performance for both revenues and profitability.

Corporate Highlights of the Quarter Ending June 30, 2004

✓ **Name Change:**

Effective May 20, 2004, the Company changed its name from TrekLogic Technologies Inc. to Brainhunter Inc., to better reflect the primary business activities of the Company of being a leading provider of Recruiting and Staffing Solutions and Services.

✓ **Toronto Office Consolidation:**

Brainhunter consolidated its four Toronto office locations to one more centrally located office that allows the Company to better manage its internal operations including sales and recruiting and better addresses growth requirements.

✓ **InBusiness Acquisition Finalized:**

The acquisition of 100% of the ownership of InBusiness Solutions Inc. in Ottawa was finalized.

Revenues Up \$40,802,864 Nine Months Over Nine Months

Revenues compared quarter over quarter from the previous year were up \$10,552,464 to \$17,462,824 from \$6,910,360 for the quarter ending June 30, 2003. Revenues for the nine month period ending June 30, 2004 were \$52,316,977, up \$40,802,864 from \$11,514,113 for the same period the previous year.

The increase is due both to organic growth and the following acquisitions:

- InBusiness Solutions Inc. (May, 2003)
- IT business of ThinkPath Inc. (June, 2003)
- Advanced Solutions Group Inc. (July, 2003)
- Protec Employment Solutions Inc. (August, 2003)
- Prolink Consulting Inc. (October, 2003)
- Sirius Consulting Group Inc. (November, 2003)

The acquisitions have given the Company the critical mass to launch the second phase of its growth strategy, focused largely on organic initiatives divided into two categories; the first capitalizing on industry growth and the second, capturing market share.

Gross Margin Reflects Change in Business Mix

Gross Margin for the quarter was 23% of Revenue versus 31% for the same quarter the previous year. For the nine month period ending June 30 the comparisons are 24% versus 36%. The trend in gross margin as a % of Revenue is due to the dramatic shift in the mix of business to include a much larger component of contract staffing business. It's expected that gross margins will stabilize in the 20% to 23% range over time as contract staffing revenues normalize between 80% and 90% of consolidated revenues. This change in business mix to a large focus on contract staffing is a conscious strategic decision by Brainhunter to emphasize contract staffing initiatives.

Overhead Costs

Overhead costs, consisting of "Other Staffing Costs" and "General, Selling and Administrative" were 19% of Revenue for the quarter ending June 30, 2004, versus 21% of Revenues for the quarter ending June 30, 2003. For the nine months ending June 30, 2004, Overhead costs were 19% of Revenues versus 23% of Revenues for the nine months ending June 30, 2003. This decline reflects the benefit of cost cutting initiatives and taking advantage of capacity within the Brainhunter infrastructure.

Earnings before Interest, Amortization and Income Taxes (EBITDA)

EBITDA for the nine months ended June 30, 2004 was \$3,057,753 an increase of \$1,529,889 over the comparable amount of \$1,527,864 for the nine months ended June 30, 2003.

Income Tax Expense

The Company, pursuant to GAAP requirements, 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 there are sufficient tax loss carry forwards to offset the majority of any income tax liabilities for the fiscal year ending September 30, 2004.

Working Capital and Cash

Working capital at June 30, 2004 was \$4,430,649 compared to \$6,445,220 at March 31, 2004 and \$4,096,100 at September 30, 2003.

At June 30 2004 the Company had cash of \$1,477,214 with \$4,290,000 drawn on its \$7,000,000 in bank lines. The comparable numbers at March 31, 2004 were \$2,785,463 of Cash and \$3,369,197 drawn against bank lines. At September 30, 2003 the Company had \$1,469,182 of Cash and \$1,580,000 drawn against the bank lines.

The most significant uses of cash since September have been the acquisitions of Sirius Consulting Group Inc., ProLink Consulting Inc., the remaining publicly-held shares of InBusiness Solutions Inc., the purchase of 750,000 common shares of the Company for \$943,750 through a Normal-course Issuer Bid and capital expenditures related to enhancements to the Brainhunter software and leasehold improvements at the Company's

new office space, all offset by the equity financing of \$10,000,000 closed February 2, 2004.

For the quarter ending June 30, 2004, the Company generated cash flow of \$682,419 from operations, versus \$555,226 the same period the previous year. The comparable amounts for the nine month periods ending June 30, 2004 and 2003 were \$2,940,305 and \$1,414,771 respectively.

Outlook for the Quarter ending September 30, 2004

Brainhunter expects revenues for the quarter ending September 30, 2004 to increase quarter over quarter, and based on expected cost structures, the Company expects Earnings Before Interest Taxes and Depreciation to also improve. The Company has over \$18.0 Million of tax loss carry-forwards which expect to be sufficient to offset the bulk of income tax liabilities for the fiscal year ending September 30, 2004.

Backlog and Pipeline

The Company currently has backlog of over \$80 Million representing business that is currently in place and being billed. Of this amount, approximately \$65 Million will be delivered within the next 12 months. In addition, there is over \$100 Million of pipeline opportunities. The pipeline has two components, firm orders received and strategic transactions in process. Currently the company has over \$40 Million of firm orders, which traditionally, the company targets a fill rate in the 25% to 35% range in 30 to 60 day time frame following the date a firm order is received.

New Business

The Company has identified a group of approximately 70 customers where being a preferred supplier should translate to in excess of \$3 Million of revenues annually per customer. The Company's stated intent and a key driver in the Organic Growth Initiatives is to become a Preferred Supplier with each of these customers within the next 24 months.

In the most recent quarter ending June 30, 2004, Brainhunter's Ottawa division closed an annualized \$12.9 million of new business. Over 70% of this business is multi-year contracts. Delivery was expected to begin on a large portion of this business early in the quarter, but was postponed until after the federal election. Additionally, a further annualized \$4.7 million of large multi-year contracts has been already won post the June quarter.

In Toronto, Brainhunter has added a new strategic relationship expected to generate in excess of \$10 million sales annually. This would be considered part of our strategic relationship pipeline. The existing day-to-day business in the IT sector has been growing steadily. A strategic decision was made in June 2004 to exit the industrial business representing approximately \$3.5 million of annual revenues. Additionally, the Engineering Division has been substantially reorganized, accompanied by a number of personnel changes and the discontinuation of its \$3.5 million division delivering lower-

skilled labour personnel to manufacturing facilities. We expect this reorganization to result in a much stronger sales and recruiting team capable of taking advantage of the significant growth opportunities currently available to the division with a corresponding positive impact on profitability.

About Brainhunter Inc.

Brainhunter is a high value added technology company providing end-to-end recruiting and staffing solutions and services delivered on a scaleable, robust enabling technology platform. The services are provided on a national scale under the brand BRAINHUNTER to a wide variety of corporate and government clients and are divided into two categories:

1. ***Contract & Permanent Staffing Services (“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 and administrative services. The Human Capital Management (“HCM”) marketplace, in particular contract staffing solutions, represents over 10% of the North American GDP, including 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 recruiting and staffing solution with emphasis on becoming the dominant provider of annuity contract staffing and permanent staffing placements and administrative services in Canada. This division currently comprises approximately 90% of Brainhunter’s consolidated revenues.
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 which provides the engine driving Brainhunter’s high growth Staffing Services strategy. Additionally, the solutions division manages the research and development initiatives and ASP infrastructure that drives an ever-increasing licensing and transactions fee revenue stream from Brainhunter HCM Solutions sales; fast growing posting revenues generated from over 55 internally-hosted specialized job boards and specialized project based revenue streams from outsourcing relationships. This division comprises approximately 10% of Brainhunter’s consolidated revenues.

Brainhunter has primary offices in Ottawa and Toronto with regionally located sales personnel on a national scale, the most recent addition being in Alberta. Brainhunter has a history of strong profitability, a very strong balance sheet and a strong working capital position. Brainhunter has approximately 150 employees and over 500 staffing contractors.