

**TREKLOGIC TECHNOLOGIES INC.**  
**FORM 51-901F—SCHEDULE C—MANAGEMENT DISCUSSION**  
**March 31, 2004**

## **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 March 31, 2004

- ✓ Closed a \$10,000,000 Equity Financing February 2, 2004.
- ✓ Substantially completed the acquisition of the remaining publicly-held shares of InBusiness Solutions Inc.
- ✓ Executed a lease for new office space to consolidate Toronto operations.
- ✓ Implemented cost savings of approximately \$1,650,000, annualized, as at April 1, 2004.

## FINANCIAL RESULTS

### Revenues Up Over 757% Six Months Over Six Months

Revenues for the quarter ending March 31, 2004 reached \$18,548,972, up 13.8% from \$16,305,181 for the preceding quarter ending December 31, 2003. The increase is due to organic growth (approximately \$843,000 or 5.2% quarter-over-quarter) and the remainder due to the inclusion of 3 months of revenues of Sirius Consulting Group Inc. versus 2 months for the December 2003 quarter. (Sirius was acquired effective November 1, 2003).

Revenues compared quarter-over-quarter from the previous year were up \$16,104,910 to \$18,549,972 from \$2,444,062 for the quarter ending March 31, 2003. The increase is due both to organic growth and acquisitions made during the 12-month period. Organic growth comprised approximately \$1,479,910 of the increase (\$843,000 of which occurred in the second quarter ending March 31, 2004) with the remainder being attributed to the following acquisitions:

- Brainhunter.com Ltd. (April, 2003)
- 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)

Revenues for the six-month period ending March 31, 2004 were \$34,584,153 up 757.1% over the same period the previous year. Aside from the organic growth noted above, the increase was due largely to acquisitions. 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**

Gross Margin for the quarter was 23.5% versus 40.5% for the same quarter the previous year. For the six-month period the comparisons are 23.7% versus 43.4%. The decline in gross margin is due to the dramatic shift in the mix of business to include a much larger component of contract staffing business.

### **Personnel Costs**

The largest component of expenses is personnel costs which, between consulting fees for contractors (i.e., cost of revenues) and salaries and benefits, (i.e., other staffing costs) were 86.7% of revenues for the quarter ended March 31, 2004, compared to 75.0% for the quarter ended March 31, 2003. This change reflects the growth of the company from a solutions-based business to a recruiting and staffing solutions company, where contract staffing revenues are becoming the largest component of consolidated revenues.

### **General and Administration Costs**

("G & A") costs for the quarter ended March 31, 2004 were 6.1% of Revenues, down slightly from the 6.7% of Revenues for the quarter ended March 31, 2003. This compares to 6.1% and 7.1% for the respective six-month periods ending March 31, 2004 and 2003. G&A costs are expected over time to continue to decline as a percent of revenues. The current infrastructure is capable of handling substantial increases in sales with only nominal increases in G&A expenses.

### **Earnings before Interest, Amortization and Income Taxes (EBITDA)**

EBITDA for the quarter ended March 31, 2004 was \$1,343,893 or 7.25% of revenues, an increase of 27.7% over the quarter ended December 31, 2003, which was \$1,052,002 or 6.45% of revenues. Compared to the same periods the previous year, EBITDA increased 299.1% from \$449,386 for the quarter, and 278.8% from \$859,454 for the six-month period ending March 31.

### **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 March 31, 2004 was \$6,445,220 compared to \$1,012,122 at December 31, 2003 and \$4,096,100 at September 30, 2003. The Cash position of the Company is

shown as a net bank indebtedness of \$610,734 at March 31, 2004 compared to a net bank indebtedness of \$4,675,035 at December 31, 2003, and a net bank indebtedness of \$110,818 as at September 30, 2003.

The changes since September are the cumulative result of the acquisitions of Sirius Consulting Group Inc., Prolink Consulting Inc., and the remaining publicly-held shares of InBusiness Solutions Inc. offset by the equity financing of \$10,000,000 closed February 2, 2004.

At March 31 2004 the Company had a book value of cash of \$2,758,463 with \$3,369,197 drawn on its \$7,000,000 in bank lines.

For the quarter ending March 31, 2004, the Company generated cash flow of \$1,191,405 from operations, versus \$98,504 the same period the previous year. The comparable for the six-month period ending March 31, 2004 and 2003 was \$1,043,340 versus \$202,183, respectively.

## **SUBSEQUENT EVENTS**

On May 3, 2004, the Company announced that it had received approval for its notice of intention to make a normal course issuer bid. The notice provides that the Company may, during the 12-month period commencing May 6, 2004, and ending May 5, 2005, purchase on the Toronto Stock Exchange up to 2,029,009 of the Company's common shares in total, being approximately 5% of the outstanding common shares. The price that the Company will pay for any such shares will be the market price at the time of the acquisition. All such shares will be purchased for cancellation.