

TREKLOGIC TECHNOLOGIES INC.

FINANCIAL STATEMENTS

For the 3 months ended March 31, 2003

TREKLOGIC TECHNOLOGIES INC. CONSOLIDATED BALANCE SHEET

	Mar 31, 2003	Sep 30, 2002
Cash	\$61,069	\$408,268
Accounts Receivable	1,791,586	2,145,378
Income Taxes Recoverable	123,017	246,074
Prepays and deposits	176,992	65,745
Future Income Tax Asset	<u>356,000</u>	<u>356,000</u>
Total Current Assets	<u>2,508,664</u>	<u>3,221,465</u>
Capital Assets (net of depreciation)	148,886	133,482
Goodwill	514,470	514,470
Investment in InBusiness Solutions Inc.	650,000	0
Notes Receivable from Related Parties	246,206	247,737
Future Income Tax Asset	<u>75,000</u>	<u>75,000</u>
Total Non-current assets	<u>1,634,562</u>	<u>970,689</u>
Total Assets	<u>\$4,143,226</u>	<u>\$4,192,154</u>
Accounts payable and accrued liabilities	\$989,949	\$1,714,604
Deferred Revenue	<u>48,719</u>	<u>57,719</u>
Total Current Liabilities	<u>1,038,668</u>	<u>1,772,323</u>
Common Shares	909,150	767,325
Retained Earnings	<u>2,195,408</u>	<u>1,652,506</u>
Total Equity	<u>3,104,558</u>	<u>2,419,831</u>
Total Liabilities and Equity	<u>\$4,143,226</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 ending March 31, 2003	3 Months ending March 31, 2002	6 Months ending March 31, 2003	6 Months ending March 31, 2002
Revenue				
Services	960,692	962,687	1,892,555	1,634,894
Product sales	208,127	97,931	260,702	627,492
Staffing	<u>1,275,243</u>	<u>132,632</u>	<u>2,450,496</u>	<u>304,519</u>
Total	<u>2,444,062</u>	<u>1,193,250</u>	<u>4,603,753</u>	<u>2,566,905</u>
Cost of revenues	<u>1,454,182</u>	<u>450,552</u>	<u>2,607,810</u>	<u>1,165,638</u>
Gross margin	989,880	742,698	1,995,943	1,401,267
Other staffing costs	377,925	142,888	809,784	346,776
General, selling and administrative	<u>162,569</u>	<u>159,640</u>	<u>326,705</u>	<u>296,037</u>
Total Expenses	<u>540,494</u>	<u>302,528</u>	<u>1,136,489</u>	<u>642,813</u>
Earnings before Interest, Taxes and Amortization	449,386	440,170	859,454	758,454
Interest (net)	0	0	0	9,099
Amortization	<u>14,917</u>	<u>10,000</u>	<u>29,833</u>	<u>20,000</u>
Total Interest and Amortization	<u>14,917</u>	<u>10,000</u>	<u>29,833</u>	<u>29,099</u>
Income before income taxes	434,469	430,170	829,621	729,355
Income taxes	<u>145,350</u>	<u>154,000</u>	<u>286,719</u>	<u>265,461</u>
Net income for the period	289,119	276,170	542,902	463,894
Retained earnings, start of period	<u>1,906,289</u>	<u>764,261</u>	<u>1,652,506</u>	<u>576,537</u>
Retained earnings, end of period	<u>\$2,195,408</u>	<u>\$1,040,431</u>	<u>\$2,195,408</u>	<u>\$1,040,431</u>
Earnings per share--basic and diluted	\$0.013	\$0.012	\$0.025	\$0.021
Weighted average number of shares:				
Basic	22,140,898	22,140,898	22,140,898	22,140,898
Diluted	27,040,334	27,040,334	27,040,334	27,040,334

TREKLOGIC TECHNOLOGIES INC.
CONSOLIDATED STATEMENT of CASH FLOWS

	3 Months ending March 31, 2003	3 Months ending March 31, 2002	6 Months ending March 31, 2003	6 Months ending March 31, 2002
Cash provided by:				
Operating Activities				
Net Income	\$289,119	\$276,170	\$542,902	\$463,894
Adjustments for items not affecting cash:				
Amortization	<u>13,667</u>	<u>10,000</u>	<u>27,333</u>	<u>20,000</u>
	302,786	286,170	570,235	483,894
Net change in non-cash operating working capital	<u>(204,282)</u>	<u>(105,110)</u>	<u>(368,052)</u>	<u>(350,429)</u>
	<u>98,504</u>	<u>181,060</u>	<u>202,183</u>	<u>133,465</u>
Investing Activities				
Business Acquisitions net of cash acquired	(650,000)	0	(650,000)	(77,591)
Purchase of Capital assets	<u>(25,548)</u>	<u>(25,187)</u>	<u>(42,738)</u>	<u>(38,520)</u>
	<u>(675,548)</u>	<u>(25,187)</u>	<u>(692,738)</u>	<u>(116,111)</u>
Financing activities				
Funds received for private placement	35,002	0	141,825	0
Advances to related parties	<u>0</u>	<u>649</u>	<u>1,531</u>	<u>(80,039)</u>
	<u>35,002</u>	<u>649</u>	<u>143,356</u>	<u>(80,039)</u>
Increase (decrease) in cash	(542,042)	156,522	(347,199)	(62,685)
Cash beginning of period	<u>603,111</u>	<u>0</u>	<u>408,268</u>	<u>219,207</u>
Cash end of period	<u>\$61,069</u>	<u>\$156,522</u>	<u>\$61,069</u>	<u>\$156,522</u>

TREKLOGIC TECHNOLOGIES INC.

NOTES TO FINANCIAL STATEMENTS

1 Nature of Business

The Company is in the business of providing information technology solutions to a variety of clients through the provision of software consulting services on a project or contract basis and through the marketing of existing software solutions.

2 Amalgamation

On October 1, 2002, TrekLogic Inc. amalgamated with Next Millennium Inc., a 100% owned subsidiary of TrekLogic Inc. The amalgamation is being accounted for as a purchase with the 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 March 31, 2003 is the consolidation of the balance sheets of TrekLogic Technologies Inc. and its subsidiary companies TrekLogic Inc. and Xycorp Inc. The balance sheet at March 31, 2002 is the balance sheet of TrekLogic Inc., with consolidation of its subsidiary Next Millennium Inc. but without consolidation of TrekLogic Technologies Inc., which acquisition occurred June 25, 2002 via a reverse take-over, or Xycorp Inc., which acquisition occurred effective July 1, 2002. Next Millennium Inc. was acquired effective October 1, 2001, by TrekLogic Inc. Next Millennium Inc. was amalgamated effective October 1, 2002. The conversion of Next Millennium Inc. from a subsidiary to an amalgamated division of TrekLogic Inc. had no effect on the balance sheet.

The income statements for the 3 month and six month periods ending March 31, 2002 are the consolidated results of TrekLogic Inc. (following its amalgamation with Stepping Solutions Inc. on October 1, 2002) together with its wholly-owned subsidiary, Next Millennium Inc. The income statement for the 3 month and six month periods ending March 31, 2003 are the consolidated results of TrekLogic Technologies Inc. and its wholly-owned subsidiaries TrekLogic Inc. and Xycorp 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 3rd party software, the clients are billed upon delivery of the software. 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 shares outstanding as of the date of the balance sheet (March 31, 2003) (22,140,898 shares). Fully diluted earnings per share is calculated based on the exercise of all warrants and options issued as of March 31, 2003 (4,899,336 shares).

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 Economic Relationships

The company provides services to Sun Microsystems Inc. and related companies ("Sun"). Revenues relating to the servicing of this group of companies accounts for approximately 43% of total Revenue. Sun, founded in 1982, is a manufacturer and distributor of high-performance computers and a developer of software. Sun is a publicly-traded, multi-billion dollar sales company. The Company contracts with many divisions of Sun, all of which have independent budgets, and their own established business relationships with the Company. Management believes that there is no material financial risk in maintaining an extensive economic relationship with Sun.

The Company earns approximately 31% of its revenue from IBM Canada.

5 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.

6 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 6 months ending March 31, 2003	
Receipt of remaining 2001 credit	(76,338)
Estimated tax credits recoverable	240,000
Estimated tax expense	<u>(286,719)</u>
Balance March 31, 2003	<u>\$123,017</u>

7 Future Income Tax Asset

The future income tax asset is comprised of and summarized as follows:

Future Income Tax Assets	
Non-capital loss carryforwards	\$475,880
Difference between book value and tax basis of capital assets	<u>74,984</u>
	550,864
Valuation allowance for future income tax assets	<u>(17,947)</u>
Total future income tax assets	532,917
Less: future income tax liabilities	
Investment tax credits	<u>101,917</u>
Net future income tax assets	<u>\$431,000</u>
Shown as:	
Current future income tax asset	\$356,000
Long term future income tax asset	<u>75,000</u>
	<u>\$431,000</u>

The Company and its subsidiaries have approximately \$1,330,000 of Federal and Provincial losses available as at September 30, 2002 to deduct against future taxable income. These losses expire as follows:

2004	\$13,000
2005	88,000
2006	266,000
2007	640,000
2008	85,000
2009	<u>238,000</u>
	<u>\$1,330,000</u>

8 Deferred Revenue

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

9 Share Capital

Authorized: Unlimited Common shares
 Unlimited number of Preferred Shares

Issued:

Common Shares	Number of 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 on behalf of a Private Placement which was closed off December 23, 2003 and shares issued pursuant to the Private Placement	<u>1,229,500</u>	<u>35,002</u>
Balance March 31, 2003	<u>22,140,898</u>	<u>\$909,150</u>

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.

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 March 31, 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 July 22, 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.

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, vesting as to 1/3 on July 22, 2003 or as issued, 1/3 12 months from date of issue and 1/3 24 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, vesting as to 25% on February 20, 2003, 25% six months from date of issue, 25% 12 months from date of issue and 25% 18 months from date of issue.

As of March 31, 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 March 31, 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.

10 Commitments

The Company sub-leases their premises under an agreement to August 29, 2005 and is committed to a minimum monthly payment of \$9,551.

11 Capital Assets	March 31 2003	Sept 30 2002
Cost		
Computer Equipment	\$215,110	\$170,011
Furniture & Fixtures	43,259	45,759
Leasehold Imp	<u>22,234</u>	<u>22,185</u>
Total	280,693	237,956
Less: Accum Dep'n	<u>131,807</u>	<u>104,474</u>
Net Book Value	<u>\$148,886</u>	<u>\$133,482</u>

12 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 computer personnel generally under the supervision of the customer.

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 2.

For the 3 months ending March 31, 2003:

	Solutions	Staffing	Total
Revenue	\$1,168,819	\$1,275,243	\$2,444,062
Cost of revenues	<u>451,709</u>	<u>1,002,473</u>	<u>1,454,182</u>
Gross margin	717,110	272,770	989,880
Operating expenses	<u>392,101</u>	<u>163,310</u>	<u>555,411</u>
Earnings before income taxes	<u>325,009</u>	<u>109,460</u>	434,469
Income tax expense			<u>145,350</u>
Net income			<u>\$289,119</u>

For the 6 months ending March 31, 2003:

	Solutions	Staffing	Total
Revenue	\$2,153,257	\$2,450,496	\$4,603,753
Cost of revenues	<u>697,902</u>	<u>1,909,908</u>	<u>2,607,810</u>
Gross margin	1,455,355	540,588	1,995,943
Operating expenses	<u>820,741</u>	<u>345,581</u>	<u>1,166,322</u>
Earnings before income taxes	<u>634,614</u>	<u>195,007</u>	829,621
Income tax expense			<u>286,719</u>
Net income			<u>\$542,902</u>

13 Revolving Demand Facility

On September 30, 2002, the Company retained access to a \$500,000 revolving demand facility at prime plus 1.65% per annum.

14 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. The maximum additional payment is \$229,000.

15 Subsequent Events

\$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.

Acquisition of Brainhunter.com Ltd.

On April 9, 2003, the Company acquired 100% of the capital of Brainhunter.com Ltd., 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)	\$1,716,000
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.	<u>458,382</u>
Total	<u>\$4,107,804</u>

Acquisition of control of InBusiness Solutions Inc.

In February, 2003, the Company reached an agreement (the "Agreement") with InBusiness Solutions Inc. ("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 an interest in a pre-existing convertible debenture obligation of InBusiness.