

WORKBRAIN CORPORATION



ANNUAL INFORMATION FORM

March 30, 2005

Table of Contents

CORPORATE STRUCTURE	1
Name and Incorporation	1
Intercorporate Relationships	2
OUR BUSINESS	2
Company Overview	2
Industry Overview	2
Growth Strategy	6
Products	7
Services	8
Target Markets and Customers	9
Sales and Distribution Strategy	9
Research and Development	11
Technology	11
Competition	12
People	12
Intellectual Property	13
Operations and Facilities	13
RISK FACTORS	14
DIVIDENDS	23
CAPITAL STRUCTURE	23
MARKET FOR SECURITIES	24
DIRECTORS AND OFFICERS	24
Directors and Officers	24
The Board of Directors and its Committees	27
Shareholdings of Directors and Executive Officers	31
ADDITIONAL INFORMATION	31
APPENDIX A	A-1
AUDIT COMMITTEE MANDATE	A-1

INFORMATION INCORPORATED BY REFERENCE

Certain of the information contained in this Annual Information Form (AIF) may be found in other documents filed by us with Canadian securities regulators, which documents we make available via SEDAR and which can be accessed at www.sedar.com. See also the section in this Annual Information Form entitled “Additional Information”.

GENERAL MATTERS

Unless otherwise noted, the information contained in this AIF is given as at December 31, 2004. Unless otherwise noted or the context otherwise indicates, “Workbrain Corporation” refers to Workbrain Corporation alone and “Workbrain”, the “Company”, “we”, “us”, “our” and “our company” refers to Workbrain Corporation and its direct and indirect subsidiaries.

Unless otherwise indicated, all dollar amounts in this AIF are expressed in United States dollars.

Workbrain is one of our registered trademarks and the Workbrain logo is one of our trademarks. All other trademarks or services marks appearing in this AIF are the trademarks or services marks of the company that owns them.

References in this AIF to research reports or articles should not be construed as depicting the complete findings of the entire referenced report or article. The information in each report or article is not incorporated by reference into this AIF.

FORWARD-LOOKING INFORMATION

Certain statements made or incorporated by reference in this AIF are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this AIF or in documents incorporated by reference in this AIF, which could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, and we undertake no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

Name and Incorporation

Workbrain Corporation was incorporated under the *Business Corporations Act* (Ontario) by articles of incorporation dated November 10, 1999 under the name Exato Corporation. Our name was subsequently changed to Workbrain Corporation pursuant to articles of amendment dated June 13, 2000. On incorporation, our authorized share capital consisted of Class A, Class B, Class C and common shares. Pursuant to restated articles dated April 17, 2001, our authorized share capital was amended to consist of an unlimited number of common shares and an unlimited number of Class A preferred shares and Class B preferred shares, both issuable in series. Concurrent with the completion of our initial public offering of common shares on December 11,

2003, our authorized share capital was amended to consist of an unlimited number of common shares.

Intercorporate Relationships

Our principal subsidiaries and their respective jurisdictions of incorporation are Workbrain, Inc. (Ontario) and Workbrain, Inc. (Delaware), each of which is wholly-owned by us.

Our registered and head office address is 250 Ferrand Drive, Suite 1200, Toronto, Ontario, M3C 3G8. We also maintain a U.S. head office at 3440 Preston Ridge Road, Suite 100, Alpharetta, Georgia 30005. Our web site address is *www.workbrain.com*. The information on that web site is not incorporated by reference into this AIF.

OUR BUSINESS

Company Overview

Workbrain develops, markets, implements, and supports software that helps large organizations optimally deploy and manage their workforces. Our solutions automate complex workforce management processes such as labour forecasting, employee schedule optimization, time and attendance, workforce analytics and employee self-service. We are recognized by independent industry analysts as a leading provider of enterprise workforce management software.

Customers that have deployed our solutions realize substantial cost savings and improved operational efficiencies. The benefits of our solutions include reductions in gross payroll costs, payroll management costs, information technology (IT) costs and paper-based form usage as well as improvements in staff utilization and regulatory compliance. In addition, our analytic tools help our customers identify opportunities for additional cost-saving changes to workforce management practices, labour contracts and pay rules.

Industry Overview

Large enterprises have experienced significant efficiency gains from investing in enterprise software that automates business processes. These solutions have automated the management of financial information and customer and supplier relationships. Many companies have also purchased back-office systems that manage static human resources information relating to compensation, benefits and personal information. In contrast, enterprises have invested relatively little to date in enterprise software that automates the dynamic deployment and management of their workforces.

We believe there is a large and growing market opportunity for enterprise-class workforce management software. This opportunity is driven by increased demand from senior operational and finance executives for software solutions that reduce costs. This opportunity is also driven by the workforce management challenges of large enterprises and the limitations of existing solutions, as described below.

IDC estimates the worldwide human resources management applications market will grow to nearly \$4 billion in license revenue in 2005. IDC sees workforce management as the second largest component of the human resources management applications market and forecasts worldwide license revenue growth to \$796 million in 2005. IDC has identified three principal

geographic regions for human resources management applications growth through 2008. We are actively engaged in selling workforce management solutions in the three regions identified by IDC: North America, Western Europe, and Asia/Pacific.

We currently compete primarily in the labour forecasting and budgeting, employee scheduling, enterprise time and attendance, employee self-service and workforce analytics segments of the overall workforce management market. We believe that the overall market is under-penetrated and that our current market share represents a small fraction of the potential opportunity. Our strategy is to rapidly dominate the overall market for enterprise workforce management software.

Workforce Management Challenges

In many industries, labour costs represent the single largest component of operating expenses. In a typical Global 2000 organization, the workforce is managed through a variety of manual paper-based processes and a combination of isolated client/server and legacy mainframe systems. As a result, large organizations spend considerable time, effort and capital on the processes used to deploy and manage their workforces.

Examples of the workforce management challenges faced by large enterprises include:

- **Inefficient labour forecasting and scheduling:** Current processes for forecasting labour requirements and creating staff schedules are inefficient. Local managers use time-consuming spreadsheets and paper templates to create staff schedules based on rough estimates of forecasted labour demand. Complex leave and vacation policies, together with unauthorized employee schedule modifications, further complicate forecasting and scheduling. As a result, organizations are frequently over-staffed or under-staffed for production and service requirements, often schedule employees with inappropriate skills and are exposed to unplanned absences.
- **Pay calculation errors:** Existing processes for collecting pay information and calculating gross pay require substantial human intervention. These processes are prone to error, result in inconsistent application of pay rules, produce systematic employee overpayment and expose organizations to the potential for abuse, fraud and grievances. Complex seniority, overtime, and incentive rules exacerbate these challenges.
- **Regulatory compliance:** Intricate regulatory and union rules relating to overtime wages, vacation and leave entitlements, and minimum and maximum work hours subject large employers to the risk of substantial fines for non-compliance.
- **Excess clerical staff:** Employers often have many clerical employees dedicated to tasks associated with gathering and collating pay information and calculating gross pay. In a large organization, the fully-loaded cost of these clerical employees can be significant.
- **Limited enterprise-wide workforce information:** Paper-based processes and isolated client/server and legacy systems make it difficult for senior management to consolidate workforce management data and analyze those data for potential cost savings and efficiency.

As a result of these challenges, workforce management processes in large enterprises represent a significant area of potential savings. According to recent research by Gartner, Inc., savings from an enterprise solution that automates time and attendance as well as scheduling can reduce labour costs in enterprises with a large percentage of hourly workers by 5% or more. To illustrate the potential savings for an enterprise with 10,000 hourly employees and a gross payroll cost of \$25,000 per employee, this would translate into savings of at least \$12.5 million per year.

Limitations of Existing Workforce Management Solutions

Some organizations have attempted to automate workforce management processes using internally-developed applications. These solutions can require substantial internal resources to develop, deploy and maintain. In addition, these solutions generally do not address the complexity and significant technical barriers inherent in the enterprise-wide deployment of a workforce management solution. Other organizations have purchased a variety of workforce management applications from multiple vendors. While many of these solutions provide functionality to address specific components of a unified workforce management solution, we believe they have the following limitations:

- **Limited integration:** Workforce management processes such as budgeting, forecasting, scheduling, time collection, wage calculation, leave and attendance management, and skills tracking are closely related. They require access to common and detailed data about employee skills, availability, time worked, and compensation policies. Few vendors have incorporated the sophisticated functionality required to automate all of these processes in a single web-based product.
- **Fragmented enterprise information:** Many existing workforce management systems are expensive to maintain because they incorporate a mixture of isolated client/server applications, spreadsheets and legacy mainframe applications. This patchwork of disparate applications impedes the consolidation of workforce management information into a single enterprise-wide view.
- **Inability to support hourly workforces and complex rules:** Enterprise Resource Planning (ERP) vendors offer workforce management software that was primarily developed for salaried employees and has limited functionality. Few options exist for large, complex enterprises with both salaried and hourly workforces, which often operate in multi-site, multi-union environments. In addition, many products are limited in their ability to manage the diversity of budgeting, forecasting, scheduling, wage and entitlement calculation methods across locations, business units and departments.
- **Complex user interfaces:** Many workforce management applications focus on delivering data from production processes to management rather than managing and servicing employees. As a result, they typically have complicated interfaces that require significant training.

The Workbrain Solution

We develop, market, implement, and support software that helps large organizations optimally deploy and manage their workforces. Our solutions automate complex workforce management processes such as labour forecasting and budgeting, employee schedule optimization, time and attendance, workforce analytics and employee self-service. By unifying all of these processes on our platform, customers are able to integrate and automate complex and frequent workforce management processes in real-time across the enterprise and gain insight into key workforce metrics.

We believe that we provide the leading workforce management solution for large enterprises, for the following reasons:

Focus on industry-specific offerings: We have tailored our solutions to meet the workforce management needs of specific industries. For example, our retail solution was specifically designed to meet the complex labour challenges faced by large retailers, including allocating appropriate staff against forecast customer demand while ensuring that budgets are not exceeded, labour rules are not violated, employee preferences are respected and contractual obligations are met.

Flexibility to manage complex rules: Large workforces are subject to very complex rules that govern workforce schedules and the calculation of pay and benefits. In addition, these rules vary across jurisdictions, industries, companies, departments, sites and unions. Automation of these rules is beyond the technical capabilities of many workforce management solutions and may require significant customizations that are costly and difficult to maintain and upgrade. Our integrated solution is able to scale to effectively manage the complexity of time and attendance, employee scheduling and other workforce processes in large organizations.

Ease-of-use: Our products require minimal training and are designed for use by non-technical employees. Our easy-to-use employee interface is patterned after the ubiquitous ATM banking interface to ensure that employees can quickly use and adopt our solutions.

Robust technology platform: Our technology was designed to meet the rigorous IT standards of the world's largest and most sophisticated organizations. Key features of our technology and applications include:

- **Scalability:** Our web-based architecture scales to meet the deployment and concurrent usage needs of large organizations and can quickly process large transaction volumes.
- **Flexibility:** The component-based nature of our software allows customers to purchase functionality that fits their particular needs and allows them to extend the solution as required. We provide our customers with tools that they can use to configure, extend, and modify our solution without requiring additional services from us.
- **Integration with existing software infrastructure:** Our solutions have been entirely built using the industry-standard Java 2 Enterprise Edition (J2EE) architecture to ensure rapid deployment and low total cost of ownership. Our software operates with a broad variety of operating systems, web and application servers, databases and Internet browsers. Our products are designed to integrate with enterprise resource planning, human resource management, payroll, portal and e-mail packages.

- **Data-collection device compatibility:** Our products are interoperable with a broad variety of data collection devices. Our standard interfaces allow customers to maintain their existing data collection hardware investments, which reduces the cost of switching from legacy software applications to our solution.

The robust functionality of our software is, in our view, a key competitive advantage that has allowed us to displace incumbent vendors at many of our customers. Our software's strong functionality has also been recognized by industry analysts, including AMR Research, Gartner Inc., and Forrester Research. In 2002, our solution was recognized as one of the "Products of the Year" by *HR Executive* magazine and as a "Best of the Web" product by *Forbes* magazine. In a September 2003 Forrester Research Wave™ analysis of the workforce management market, we were cited as having leading product functionality and product strategy. In 2004, we received top ten rankings for Strategic Value and Ease of Integration in the RIS News Retail Technology Leaderboard.

Growth Strategy

Our strategy is to rapidly dominate the market for enterprise workforce management software by expanding our worldwide distribution capabilities, broadening our network of strategic relationships, enhancing our industry-specific software applications, deepening our relationships with existing customers and continuing to pursue a disciplined acquisition approach.

Expand our worldwide distribution capabilities

We currently have direct sales locations across North America, in the United Kingdom, and in Australia. We intend to expand our worldwide distribution capability to significantly increase market share and penetration. This will include increasing our direct sales force in North America, Europe, and other areas with significant market potential. We intend to expand our relationships with international resellers where appropriate to accelerate market penetration and to selectively augment our regional marketing operations.

Broaden our network of strategic relationships

Our network of alliances provides access to new customers and industries. We will continue to broaden this network of systems integrators, BPOs and technology alliances. We also intend to develop distribution and support channels to market our solutions to mid-sized organizations. We expect our alliance partners to assume an increased role in service delivery and distribution over time, allowing us to maintain our focus on core software development.

Enhance our industry-specific software applications

Our product strategy is to develop industry-specific solutions built on a common technology platform. We plan to develop additional functionality that extends our existing industry-specific solutions. We will continue to identify other industries where our solutions can reduce operating costs and we intend to develop market-tailored applications for these industries.

Deepen our relationships with existing customers

We view our customer base as a significant asset. Since our platform facilitates the addition of new capabilities to clients' established infrastructures, our current customer base represents a significant market for follow-on sales. In addition, our customers increasingly desire enhanced

tools that provide real-time information and help identify areas for operational improvements. We believe that we are well positioned to address this need because our solutions provide detailed information about workforce performance, costs, activities and effectiveness.

Continue to pursue a disciplined acquisition approach

In April 2003 we acquired and integrated the net operating assets of Workforce Logistics Inc., a provider of schedule optimization software. The acquisition enhanced our existing workforce management solution with additional schedule optimization functionality. As a result of the acquisition, we were able to market a fully integrated schedule optimization product more quickly than if we had built the technology in-house.

We intend to continue to pursue selective strategic acquisitions that will enhance the functionality of our product offerings, augment our distribution channels, expand our market opportunity and broaden our customer base. It is our intention to seek out selective acquisitions that will accelerate the development of additional industry-specific solutions.

Products

Our products enable large enterprises to manage complex workforce processes, including labour forecasting and budgeting, employee schedule optimization, time and attendance, workforce analytics and employee self-service. Our Java-based platform is designed for ease-of-use and flexibility in distributed enterprises and can scale to support tens of thousands of users within a single enterprise.

We offer a number of pre-packaged applications that are all built on a common platform. Our products are licensed to customers as integrated suites consisting of several applications or as separate applications or modules, depending on customer requirements. Our current product offering includes the following applications:

- **Workbrain Enterprise Time & Attendance** is a solution for automating the management of time and attendance processes, including employee time tracking, attendance management, pay rule application and calculations, labour distribution and costing and leave management.
- **Workbrain Enterprise Scheduling** is a solution for creating, managing and publishing employee schedules to optimize workforce utilization. Workbrain Enterprise Scheduling automates processes such as workforce forecasting, schedule optimization, staff scheduling, schedule bidding and shift trading.
- **Workbrain Self-service** is a solution for automating an organization's frequent human resources and people-related processes. The self-service solution delivers end-to-end manager and employee self-service for operational human resources (HR) processes, such as job change requests, grievance reporting, equipment requisitions and accident incident reporting.
- **The Workbrain Toolkit** provides an organization with tools for configuring, extending and modifying the Workbrain solution to meet its changing business needs without the need for additional implementation services or core application customization. The Workbrain Toolkit includes a form and workflow builder that allows users to create and modify business forms, workflows and reports.

- **Workbrain Intelligence** allows our customers to use state-of-the-art reporting and analytic capabilities to leverage workforce data to measure real-time workforce performance and monitor progress towards labor optimization. Built on Cognos' industry-leading business intelligence platform, Workbrain Intelligence uses activity-based alerts to proactively notify managers of performance thresholds, and provides report authoring tools to simplify the report creation process. Ad-hoc query for the business manager provides on-demand access to information, enabling real-time analysis of workforce performance while improving both the quality and cycle times of decision-making processes.

We bundle these applications into offerings that provide functionality tailored to industry-specific workforce management challenges. Examples include Workbrain for Retail, which provides an end-to-end labour management solution for large retailers, including optimized demand-based scheduling, and Workbrain for Manufacturing, which is designed to meet the needs of large, distributed manufacturing organizations working within a complex regulatory environment. In the future, we anticipate adding additional industry-specific functionality.

We continue to invest significantly in R&D (see Research and Development section below). Our current R&D efforts include the development of the new 5.0 version of our product, which we expect will contain many new features and enhancements, including the addition of modules for labour budgeting and forecasting.

We also resell database and application server products that our customers use to operate our software. In addition to software products, we resell a wide range of data capture and interface devices.

Services

Services are a critical part of our workforce management solution and are aimed at providing the highest level of customer satisfaction. We offer a full range of services to our customers including implementation services, maintenance and technical support, educational, consulting and hosting services.

Our implementation services are provided through an automated project management tool and standardized practice that we collectively market as Speed to Value (S2V). Use of this proprietary tool enables our customers and partners to deploy individual applications of our solution quickly and with limited use of our services. Our implementation services contribute to a successful deployment of our software by assisting our customers with project planning, business rule optimization, solution regression testing and architecture design.

Our maintenance services consist of software updates and customer support. Our support organization provides worldwide problem resolution services 24 hours a day, 365 days a year, by telephone, e-mail and through our Web-based support tools.

We offer our customers a full range of educational services including computer, web-based, classroom and on-site customer training. We market these services collectively as Workbrain University and provide these services on both a scheduled and as-requested basis.

We also provide consulting and hosting services to our customers. Consulting services help our customers and prospects understand the business value of our solutions and assist customers to identify and measure the returns on investment from our products. Our hosting services are offered in conjunction with industry-leading third party hosting providers to provide a complete

application hosting service offering for our customers.

We continue to develop innovative service offerings to meet emerging market demands, including our Workbrain Express implementation offering for mid-sized enterprises and our Workbrain Hosted solution. Workbrain Express is a preconfigured, quick-deploy workforce management offering designed to meet the needs of mid-sized companies. The offering comprises Time and Attendance, Employee Scheduling and Leave Management, delivered in industry bundles for retailers, manufacturers, healthcare providers, financial services organizations and the public sector. Our Workbrain Hosted solution provides a high performance infrastructure, with guaranteed availability and advanced security to those organizations with limited IT resources. Our hosting solutions can accommodate both dedicated and shared infrastructure models allowing our customers to realize the benefits of our software without the upfront capital cost and ongoing maintenance and support responsibilities.

Target Markets and Customers

We have targeted industries characterized by large workforces, complex employee pay and scheduling requirements, multiple sites, and inefficient, paper-based workforce management processes. These industries include retailing, manufacturing, financial services, transportation, utilities and the public sector. We believe that customers within these industries possess certain characteristics that make them well suited for our workforce management solutions.

The following is a partial list of our significant customers:

AMC Theatres	Constellation Energy Group	Madison Square Garden
American Airlines	General Mills	Recreational Equipment, Inc.
America West Airlines	Holt Renfrew	Russell Corporation
Australia Post	International Steel Group	Smurfit-Stone
Beall's Department Stores	JB Hunt	St. Joseph's Health Care
British Airways	Lifespan	Target Corporation
Burlington Coat Factory	London Health Sciences Centre	Tennessee Valley Authority
C & S Wholesale Grocers	London Metropolitan Police	Toronto Police Services
Cabela's	Authority	Vanderbilt Medical Centre
Carillion Rail	Longs Drugs	Wachovia
Centerplate	Lowe's Companies	Weyerhaeuser

Sales and Distribution Strategy

We market and sell our products through both direct and indirect channels to maximize market coverage on a cost-effective basis. We also maintain a comprehensive network of alliance relationships that helps expand our market reach and accelerate our sales growth. As of December 31, 2004, we employed 70 people in our worldwide sales and marketing organization which operated in Canada, the United States, the United Kingdom and Australia. We intend to significantly enhance our capability in these areas in the near future

Direct Sales and Marketing

We use a direct sales force in our major markets as our primary distribution channel. We believe our direct sales force increases our visibility and market penetration, ensures long-term customer contact and facilitates sales of additional products. Our sales force targets senior financial and operational executives.

We support our sales channels with comprehensive lead generation and marketing programs including direct mail, public relations, advertising, targeted interactive marketing, web-based programs, promotional seminars, speaking engagements and participation in trade show and user group meetings. We use internal telesales representatives to support these activities and assist our direct sales force in prospecting new customer opportunities.

Alliances

We have formed relationships with industry leading firms to assist with our sales and marketing efforts. We support these alliances with dedicated business development staff. These alliances include:

- **Systems Integrators:** We have relationships with leading systems and business integrators such as Accenture, IBM, BearingPoint and Deloitte Consulting. These firms promote our solution to their clients either on a stand-alone basis or as part of a larger workforce management initiative. Systems integrators derive benefit from working with us by generating implementation services and related consulting fees. We derive benefits from working with these systems integrators in the form of incremental sales opportunities, additional promotion through co-marketing activities and increased scalability of our delivery model.
- **Technology Vendors:** We have formed alliances and have certified integration with industry-leading technology vendors whose solutions are complementary to ours and whose sales success within a particular client is linked to our own. These include vendors of related software applications, such as human resource management, payroll, point-of-sale, and knowledge management, and vendors of infrastructure technologies, such as application server software, database software and data capture hardware. Key relationships include BEA, Cognos, IBM, Lawson, Microsoft, and Oracle. In addition, we have developed Certified Integration interfaces with SAP. These alliances enable us to offer a broader client solution and operate seamlessly within a client's existing technology environment. In some cases, these vendors also refer sales leads to us and cooperate in joint marketing initiatives.

Business Process Outsourcers (BPOs)

In recent years, large organizations have increasingly outsourced the administrative and service aspects of their HR functions. Gartner Inc. forecasts that by 2005, 85% of U.S. enterprises will have outsourced at least one component of their HR function and that HR BPO spending will exceed \$55 billion annually worldwide.

In response to this trend, we have formed relationships with leading BPOs, including Hewitt, Accenture and Fidelity Employer Services Company (FESCO). These firms offer our solution to their clients through an outsourced service model that provides both software and services to manage workforce processes.

Research and Development

We view our skilled research and development (R&D) organization and the technology it creates as a principal competitive advantage in the industry. Our R&D department consisted of 102 full-time employees as of December 31, 2004 operating in product management, development, quality assurance and technical writing areas.

Our R&D organization designs, develops and tests new products, features and functionality and enhances the performance of existing products. R&D priorities are established by our Senior Vice-President of Products and Marketing, with input from our Customer Advisory Group (CAG) and Product Advisory Councils (PACs) as well as our sales, marketing, and services departments. Our CAG comprises users and senior executives from our customers who provide detailed feedback and suggestions regarding product features, usability and development road map. Product managers are in turn responsible for managing the entire life cycle of a product, module or feature and follow standardized processes to ensure software performance and timely delivery in accordance with the product road map.

Our R&D group intends to expand the functionality of our current solutions, develop new product releases, create new industry-specific applications and enhance our underlying technology platform. We also intend to continue to enhance usability and ease of implementation. We expect to conduct substantially all of our R&D in-house.

Technology

Our technology has been designed from inception to meet the rigorous information technology standards of the world's largest and most sophisticated organizations. Our solutions are based on the J2EE architecture that has become the industry standard for enterprise-class web-based software applications. This architecture allows us to inter-operate with multiple operating systems, relational databases and application servers.

In addition, our platform is designed for the rapid development of additional functionality and industry-specific features to support the execution of our corporate strategy. In particular, our platform includes underlying functionality for complex rule calculation, messaging, workflow, alerts, reporting, localization, security, integration, maintenance, error reporting and system diagnostics. By using industry-standard components, we can quickly integrate newly developed or acquired technologies into our existing platform, allowing us to rapidly expand our product footprint.

Our product architecture provides the following business benefits:

- **Ease of integration:** Our solution runs on multiple operating systems, application servers, web servers and databases and integrates with our customers' existing technology investments. Our use of Web Services technology supports ease of integration with our customers' legacy applications.
- **Scalability:** Our solution supports tens of thousands of users on a single database. This allows our customers to deploy the application to all of their employees using a simple, easy-to-maintain solution.
- **Defined upgrade path:** The J2EE architecture of our solution separates customer-specific configurations and rules from core application components, thereby allowing the

core components to be upgraded independently of the customer-specific components of the solution.

Competition

We face competition primarily from two types of software vendors: Enterprise Resource Planning (ERP) suite vendors and specialized workforce management software vendors.

ERP vendors such as SAP and Oracle/PeopleSoft offer limited workforce management capabilities within their software offerings. These vendors are often the incumbent human resource management system or payroll system vendor within our target clients, and will therefore be considered in many workforce management initiatives. We compete against these vendors by offering more complete functionality, including complex and industry-specific pay and scheduling capabilities.

Specialized workforce management vendors include time and attendance software vendors, notably Kronos, as well as scheduling software vendors. We offer a fully integrated workforce management solution that includes both advanced scheduling and time and attendance functionality. We compete against time and attendance vendors by offering solutions and services that more effectively address the needs of large, multi-site enterprise customers. We compete against scheduling vendors by offering a unique programming approach that produces mathematically optimized schedules. Our scheduling solution also provides demand-based and staff scheduling applications applicable across a broad range of industries. Additionally, our product design emphasizes ease of use, which is a critical driver of user adoption.

To a lesser extent, we face competition from custom solutions developed by the IT departments of large organizations. However, due to the complexity and technical barriers of developing a robust, accurate and highly usable workforce management solution, most large organizations evaluate commercially developed applications.

People

From the outset, we have sought to build a global leader in workforce management software. We excel in identifying, attracting and retaining talented employees. We view our highly motivated, customer-focused employees and our team-centered culture as key competitive advantages. We invest in our culture to support the recruitment, motivation and retention of outstanding employees. Our focus is on the identification and development of high-performance and adaptable employees who will support our growth strategy.

As of December 31, 2004, we had 472 full-time, permanent employees. We have no unionized employees. All of our employees participate in our performance-based bonus programs. Many of our permanent full-time employees have been granted options under our stock option plan. Currently, only senior employees and officers receive options under our stock option plan, as approved by our Board of Directors.

Effective February 28, 2005 we implemented an employee share ownership plan. This plan permits our qualified employees to use regular payroll deductions to purchase our shares on the Toronto Stock Exchange. We participate in this plan by paying many of the transaction costs associated with purchases made by employees under the plan, and by matching a portion of an employee's purchases on a semi-annual basis.

Intellectual Property

In accordance with industry practice, we rely on a combination of contractual provisions and patent, copyright, trademark and trade secret laws to protect our proprietary rights in our products.

We generally license the use of our products to our customers rather than transferring title to them. These licences contain terms and conditions prohibiting the unauthorized reproduction, disclosure, reverse engineering, or transfer of our products. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with customers, suppliers, employees and consultants.

The source code versions of our products are protected as trade secrets and as unpublished copyright works. However, effective copyright protection may not be available in some countries in which we license or market our products. We recognize that patent law may offer some protection for our current and future products, and we have embarked on a program to identify and seek patent protection for appropriate elements of our products.

We have also obtained or applied for trademark registration for several of our trade names, including the name "Workbrain", in the U.S., Canada and the European Union. While the duration of trademark, patent and copyright protections varies from country to country, we believe that the duration of this protection will be adequate to protect our products during the periods of their economic value.

All material components of our products have been developed by our employees or contractors who have assigned all rights to us or were acquired from Workforce Logistics Inc., except for commercially-available components.

Operations and Facilities

Our head and registered office is located in Toronto, Canada. At this location, we also maintain research and development, services, support and global marketing activities. At our U.S. head office outside Atlanta, Georgia, we manage our global sales efforts and deliver implementation and training services. We also maintain sales and service operations in Newport Beach, California, London, England and Melbourne, Australia.

We do not own any real estate. The following table sets out certain information regarding our material leased office premises:

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Lease Expiry</u>
250 Ferrand Drive, Ontario Toronto, Ontario.....	64,000	October, 2010
3440 Preston Ridge, Suite 100 Alpharetta, Georgia.....	14,000	July, 2007

RISK FACTORS

You should carefully consider the following risk factors in addition to the other information contained in this document. The risks and uncertainties below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business operations and cause the price of our common shares to decline. If any of the following risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly.

Failure to manage our growth successfully may adversely impact our operating results.

The growth of our operations places a strain on managerial, financial and human resources. We believe that our ability to manage future growth will depend in large part upon a number of factors, including our ability to:

- build and train sales and marketing staff to create an expanding presence in the evolving marketplace for our products, and to keep staff informed regarding the technical features, issues and key selling points of our products;
- attract and retain qualified technical personnel in order to continue to develop and deliver reliable and scalable products and services that respond to evolving customer and industry requirements;
- develop customer support capacity as our installed customer base increases; and
- expand our internal management and financial controls significantly, so that we can maintain control over our operations and provide support to other functional areas within Workbrain as the number of our personnel and our size increase.

Our ability to recruit and retain management and other qualified personnel is crucial to our ability to develop, market and support our products and services.

We believe that our success depends on key employees, including senior management and key technical resources, to develop, market, and support our products and to manage our business. The loss of one or more of these key employees could have a material adverse effect on our business, results of operations and financial condition. Our success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and we cannot assure you that we will be able to attract or retain highly qualified technical and managerial personnel in the future. Our inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect our future growth and profitability. It may be necessary for us to increase the level of compensation paid to existing or new employees to a degree that our operating expenses could be materially increased.

We have a history of losses, and we cannot assure you that we will sustain our profitability. If we fail to do so, our share price may decline.

We incurred net losses of US\$4.5 million for 2000, US\$9.3 million for 2001 and US\$3.1 million for 2002. We recorded net income of US\$1.2 million for 2003 and a net loss of US\$555,000 for 2004. We expect to significantly increase our expenses in the near term in order to expand our business. These increased operating expenses may adversely affect our operating results and may result in or contribute to net losses in future periods. There is a risk that we will not be able to sustain profitability on a quarterly or annual basis. Our business strategies may not be successful. Our results of operations will be harmed if our revenue does not increase at a rate equal to or greater than increases in our expenses or if our revenue is insufficient for us to sustain profitability. If we are not able to sustain profitability, our share price may decline and we may require additional financing, which may not be available.

Our revenue can be difficult to predict and can fluctuate substantially, which may harm the results of our operations.

Our revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. We rely on revenue related to a single line of software products. Although we have experienced revenue growth from these products in past periods, there is a risk that revenue from these products will not continue to grow, or will not grow at rates projected by management, or will not follow any past trends. Our anticipated revenue may be reduced by any one, or a combination of, unforeseen market, economic, competitive, or organizational factors, many of which are outside of our control, including:

- the varied nature of the terms and conditions in our customer contracts, including pilot and other customer-specific acceptance conditions related to the customer license and services orders, which may delay the timing and recognition of revenue;
- competitive conditions in our industry, including new products, product announcements and special pricing offered by our competitors;
- market acceptance of our products;
- our ability to hire, train and retain sufficient sales and services personnel;
- our ability to complete service obligations related to the implementation of our licenced products in a timely manner;
- our ability to maintain existing relationships and to create new relationships to assist with our sales and marketing efforts;
- the length and variability of the sales cycles for our products;
- changes in our pricing policies and the pricing policies of our competitors;
- the timing of product developments and new product initiatives;
- changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher-margin product licence revenue;
- the discretionary nature of our customers' purchase and budget cycles and changes in their budgets for, and timing of, software, implementation services and related purchases;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; and
- a general weakening of the economy, or a weakening of the economic conditions in the particular industries and geographical regions in which we provide solutions, or any political or economic crises, natural disasters, terrorist acts, or other hostilities, which result in a decrease in the overall demand for computer software and services or otherwise affect our customers' investment in workforce management software.

Our quarterly revenue depends largely on the progress we make on existing customer contracts during the quarter, as well as on sales to new and existing customers. Delays, reductions in the amount or cancellations of customers' purchases would adversely affect our revenue. We often complete a large percentage of sales transactions near the end of a quarter. In addition, our quarterly revenue is dependent upon a relatively small number of customers, and the absence of one or more anticipated large transactions in a particular period may have a material effect on revenue in that period. Even minor variations in the rate and timing of sales or our progress on customer contracts could materially impact revenue, which in turn could adversely affect our business and our financial results. If we experience a shortfall in revenue or otherwise fail to meet public market expectations, there could be a material, adverse impact on our business, our financial condition, the results of our operations, and on the market price of our common shares.

Our quarterly and annual operating results may vary significantly between periods, and our expenses may not match anticipated revenues.

Historically, our operating results have varied from quarter to quarter, and we expect this variation to continue. We plan and manage our operating expenses based on anticipated revenue. Since a significant percentage of our expenses are relatively fixed, and because it is difficult to anticipate the revenue that we will realize in any particular quarter until near the end of that quarter, any delay or reduction in revenue could cause significant variations in operating results from quarter to quarter, including potential net losses and negative cash flow. Therefore, the potential causes of reductions or delays in revenue recognition (set out above under the heading 'Our revenue can be difficult to predict and can fluctuate substantially, which may harm the results of our operations') also apply to our ability to predict and manage quarterly earnings. As a result, such delays or reductions in revenue could materially and adversely affect our business, our financial condition and the results of our operations.

We face substantial competition and we may not compete successfully, which could adversely affect our operating results.

We face significant competition and we expect our competitors to continue to improve the performance of their current products and to introduce new products and new services. Many of our competitors have substantially greater financial and other resources with which to pursue research and development, marketing, and distribution of their products. New product announcements or introductions by our competitors could impact our ability to compete effectively. The intensely competitive market in which we conduct our business also could require us to reduce our prices. If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other software products, we may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would be likely to reduce our margins and could adversely affect our operating results. Some of our competitors may bundle software products that compete with ours for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that we can charge for our products. If we cannot offset price reductions with a corresponding increase in the quantity of sales or with lower spending, then the reduced revenue resulting from lower prices would adversely affect our margins and operating results.

Customers of enterprise software solutions are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. Our relatively smaller size and short operating history may be considered negatively by prospective

customers. Even if our competitors provide products with more limited workforce management system functionality than our products, these products may incorporate other capabilities of interest to some customers and may be appealing to some customers because they would reduce the number of different types of software used to run their business. Further, our competitors may be able to respond more quickly than we can to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

We derive a substantial majority of our revenue from our workforce management software and related products and services.

We derive a substantial majority of our revenue from our workforce management software and related products and services, and revenue from these products and services are expected to continue to account for a substantial portion of our revenue for the foreseeable future. Because we generally sell licences to our products on a perpetual basis and deliver new versions and enhancements to customers who purchase maintenance contracts, our future licence revenue is substantially dependent on sales to new customers. As a result of these factors, we are particularly vulnerable to fluctuations in demand for our workforce management software. Accordingly, if demand for our workforce management software and related products and services decline significantly, our business and operating results would be adversely affected.

Our industry is subject to rapid technological change and our products may become obsolete.

The market for workforce management solutions is characterized by rapid technological change, including new product introductions by our competitors and new entrants to the market; changes in the industry standard components with which our software inter-operates (such as operating systems, databases and application server technologies); and concomitant changes in customers' technological standards and requirements. We cannot provide assurance that our products will remain highly competitive regardless of such future technological changes. If we fail to anticipate or respond quickly to such changes by bringing new developments to market in a timely and cost-effective manner, our products may become obsolete, which could affect our competitiveness and could have a material adverse effect on our business, results of operations, and financial condition.

Our success depends on our ability to develop new products and enhance our existing products.

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, we must enhance and improve existing products and we must continue to introduce new products and services. If we are unable to successfully develop new products or enhance and improve our existing products or if we fail to position and/or price our products to meet market demand, our business and operating results will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect our operating results. Further, any new products we develop could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

Our business may be harmed if we do not successfully develop and maintain strategic relationships to implement and sell our products.

We have relationships with third-party systems integrators, software and hardware vendors and BPOs. These third parties may provide us with customer referrals, co-operate with us in marketing our products and provide our customers with systems implementation services or overall program management. However, we do not have formal agreements governing our ongoing relationship with certain of these third-party providers and the agreements we do have generally do not include obligations with respect to generating sales opportunities or co-operating on future business. Should any of these third parties go out of business or choose not to work with us, we may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting our operating margins. Any of our third-party providers may offer products of other companies, including products that compete with our products. We could lose sales opportunities if we fail to work effectively with these parties or they choose not to work with us.

Identifying, making and integrating acquisitions could impair our operating results and could cause significant dilution to our shareholders.

We intend to continue to pursue selective strategic acquisitions that will expand and add functionality to our product offerings, augment our distribution channels, expand our market opportunities and/or broaden our customer base. We have no present agreements or commitments with respect to any prospective acquisition or investment. There is a risk that we will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into our operations. We are likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Furthermore, if we do make acquisitions, these will involve a number of risks, including: potential reduction in management's attention to our current operations and the potential disruption of these operations; potential difficulties in integrating and retaining all or part of the acquired business and its key personnel; and the potential assumption of disclosed and undisclosed liabilities. Acquisitions may also reduce our cash position and dilute our earnings across a larger shareholder base. Furthermore, we may incorrectly assess the value of an acquisition target or fail to accurately estimate the amount, extent and timing of the costs and benefits associated with an acquisition. These acquisition-related risks could materially and adversely affect our business, our financial condition and the results of our operations.

Mergers or other strategic transactions by our competitors could weaken our competitive position or reduce our revenue.

If one or more of our competitors merges, acquires or partners with another of our competitors, the resulting change in the competitive environment could adversely affect our ability to compete. Our competitors may also establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom we have relationships, thereby limiting our ability to promote our products and limiting the number of consultants available to implement our software. Disruptions in our business caused by these events could reduce our revenue. Competition also may increase if new vendors enter the market. Any reduction in our ability to compete effectively against our current and future competitors could have a material adverse effect on our business, results of operations, and financial condition.

We operate internationally, and we face currency fluctuation risks and other risks relating to international operations.

We enter into transactions in multiple currencies and we are subject to gains and losses due to fluctuations between those currencies. The majority of our revenue is denominated in U.S. dollars whereas the majority of our operating expenses are denominated in Canadian dollars. We also generate revenue and incur expenditures in currencies other than the U.S. and Canadian dollars. In addition, we maintain a Canadian dollar denominated treasury to fund our Canadian denominated operating expenses, in addition to our U.S. dollar-denominated treasury. Therefore, fluctuations in the exchange rate between the U.S. dollar and other currencies, especially the Canadian dollar, may have a material adverse effect on our business, financial condition, and operating results. We intend to continue to expand our operations internationally, so we may be subject to additional gains and losses against additional currencies.

We may have exposure to greater-than-anticipated tax liabilities.

We are subject to taxes related to our income and to other taxes in the jurisdictions in which we operate. Our tax structure is subject to review by various taxation authorities. The determination of provisions for income taxes and the estimation of tax assets and liabilities require significant judgment. Although we believe our current estimates are reasonable, the taxes we may ultimately owe may differ from the amounts we record in our financial statements, which could materially affect our financial results.

We could face liability claims if our products or services fail to perform as intended.

We are subject to legal proceedings and claims that may arise in the conduct of our business, including product and service warranty claims, which could be substantial. Software products and related services are complex and may contain errors or defects, particularly when configured to meet specific customer requirements. We believe that our current procedures provide a reasonable degree of quality control and the ability to respond to defects and errors found in our products and services. We also seek to limit our liability contractually in accordance with prevailing industry practice. Nevertheless, defects and errors in our products could inhibit or prevent successful customer deployment of our products and cause us to lose customers or require us to pay penalties or damages. A successful product liability claim against us could materially disrupt our business and could adversely affect our financial condition and the results of our operations.

We could face liability if our products infringe on third party intellectual property rights.

We could be subject to claims by third parties that our products or services infringe their intellectual property rights. We would incur expenditures and may be subject to costly litigation that would divert the attention of our management away from our ongoing business. Third party claims also could result in damages or other costs (for example, to develop similar non-infringing intellectual property or licence the intellectual property at issue) which could materially disrupt our business, and could adversely affect our financial condition and the results of our operations.

A number of our competitors and other third parties have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by us in our products. Some of these patents may grant very broad protection to the owners of the patents. We cannot determine with certainty whether any existing

third party patents or the issuance of any third party patents would require us to alter our technology, obtain licenses or cease certain activities.

If our intellectual property is not adequately protected, we may lose our competitive advantage.

Our success depends in part on our ability to protect our rights in our intellectual property. We rely on various intellectual property protections, including contractual provisions, patents, copyright, trademark, and legislation governing trade secrets, to protect our intellectual property rights. Despite these measures, third parties may misappropriate our intellectual property, which could result in lost revenue opportunities and impair our ability to compete. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the U.S. To protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of our management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenue, financial condition and results of operations.

Economic uncertainty and downturns in the software market may lead to decreases in our revenue and margins.

The market for our products depends on economic conditions affecting the broader software market. Downturns in the economy may cause businesses to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for our products. This is particularly true of the U.S. economy, where the vast majority of our revenue to date has been generated. In this environment, customers may experience financial difficulty, fail to purchase, defer the budget for the purchase of our products, or cease operations. This, in turn, may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing us to realize lower revenue and margins.

We may lose sales, or sales may be delayed, due to the long sales and implementation cycles for our products.

Our customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to license our software products. Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after our first contact with a customer before a sale can actually be completed. We may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of our products varies among our customers and may last several months, depending on our customers' needs and the products deployed. During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example,

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;
- we or our competitors may announce or introduce new products; or
- the customer's own budget and purchasing priorities may change.

If these events were to occur, sales of our products or services may be cancelled or delayed, which would reduce our revenue.

An increase in our services revenue relative to our licence revenue would harm our overall gross margin and impact our overall operating results.

Our maintenance and service revenue, which include fees for consulting, implementation, maintenance and training, represented 71% of our net revenue for 2004, 69% of our net revenue for 2003 and 74% of our net revenue for 2002. Our maintenance and service revenue have substantially lower gross margins than our licence revenue. An increase in the percentage of net revenue represented by maintenance and service revenue would adversely affect our overall gross margins. In addition, the volume and profitability of services can depend in large part upon:

- competitive pricing pressure on the rates that we can charge for our professional services;
- billable utilization of our services personnel;
- the complexity of customers' IT environments; and
- the resources directed by customers to their implementation projects.

Any erosion of our margins for our maintenance and service revenue, or any adverse changes in the mix of our licence versus maintenance and service revenue, would adversely affect our operating results.

The loss of our rights to use software currently licensed to us by third parties could increase our operating expenses by forcing us to seek alternative technology and adversely affect our ability to compete.

We license certain technologies used in our products from third parties, generally on a non-exclusive basis, including a mathematical modeling and optimization tool. The termination of any of these licences, or the failure of the licensors to adequately maintain or update their products, could delay our ability to ship our products while we seek to implement alternative technology offered by other sources and require significant unplanned investments on our part. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licences relating to one or more of our products or relating to current or future technologies to enhance our product offerings. There is a risk that we will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

We use open source software in connection with our products, which exposes us to uncertainty and potential liability.

Certain modules of our products make use of or incorporate open source software components. These components are developed by third parties over whom we have no control. We have no assurances that those components do not infringe upon the intellectual property rights of others. We could be exposed to infringement claims and liability in connection with the use of those open source software components. The developers of open source software are under no obligation to maintain or update those software components, and we may be forced to replace those components with internally developed or commercially licensed software. Certain open source software licences provide that any software that makes use of or incorporates components distributed under that licence will itself become subject to the same general distribution rights and other terms of that licence. As a result, there is a risk that third parties, including our competitors, could have the right to use and distribute certain elements of our products.

We may be subject to transfer pricing challenges by international taxing authorities that may adversely affect our income tax expense.

We conduct business operations in various jurisdictions and through legal entities in Canada, the United States, the United Kingdom, and Australia. Certain of our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of these jurisdictions have detailed transfer-pricing rules, which require that all transactions with non-resident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing. International taxation authorities, including Canada Revenue Agency, the United States Internal Revenue Service, the United Kingdom Inland Revenue and the Australian Taxation Office, could challenge the validity of our arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging our transfer pricing policies, our income tax expense may be adversely affected and we could be subjected to interest and penalty charges. Any such increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

Our share price will fluctuate.

The market price of our common shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations in our results of operations;
- changes in estimates of our future results of operations by us or securities analysts;
- announcements of technological innovations or new products by us or our competitors; and
- general industry changes in the enterprise workforce management software or related markets.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many technology companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the software industry specifically, may adversely affect the market price of our common shares.

We do not currently intend to pay any cash dividends on our common shares in the foreseeable future and therefore our shareholders may not be able to receive a return on their shares unless they sell them.

We have not declared or paid any cash dividends on our common shares to date. Our current policy is to retain earnings to finance expansion and to develop, license and acquire new software products and to otherwise reinvest in the company. Therefore, we do not anticipate paying cash dividends in the foreseeable future. Our dividend policy will be reviewed from time to time by our Board of Directors in the context of our earnings, financial condition and other relevant factors. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on their shares unless they sell them.

A small number of our shareholders may control our company.

As at March 15, 2005 our officers, directors, founding shareholders and their affiliates beneficially own or control, directly or indirectly, in excess of 30% of our outstanding common shares. As a result, if some of these persons or entities act together, they may have the ability to control all matters submitted to our shareholders for approval, including the election and removal of directors, amendments to our articles of incorporation and bylaws and the approval of any business combination. This may delay or prevent an acquisition or cause the market price of our shares to decline. Some of these persons or entities may have interests different from other investors. For example, because many of these shareholders purchased their shares at prices substantially below the price at which shares are being sold in this offering and have held their shares for a relatively longer period, they may be more interested in selling Workbrain to an acquiror than other investors or may want us to pursue strategies that are different from the wishes of other investors.

An active public market for our common shares may not be sustained

There has only been a public market for our common shares since December 2003, and an active public market for our common shares may not be sustained in the future. If an active public market is not sustained, the liquidity of an investment in our shares may be limited, and our share price may decline.

DIVIDENDS

Workbrain Corporation has never declared or paid any dividends on its shares. We currently intend to retain any future earnings to fund the development and growth of our business, and we do not anticipate paying any cash dividends in the foreseeable future.

CAPITAL STRUCTURE

The authorized share capital of Workbrain Corporation consists of an unlimited number of common shares. Each common share is entitled to one vote at meetings of our shareholders, except for meetings at which only holders of another specified class or series of our shares are entitled to vote separately as a class or series. Each common share is also entitled to receive dividends if, as and when declared by our Board of Directors. Holders of common shares are entitled to participate in any distribution of our net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares.

MARKET FOR SECURITIES

Our common shares are listed on the Toronto Stock Exchange. As at December 31, 2004, there were 17,416,290 common shares outstanding and the monthly price ranges and total monthly trading volumes for our common shares during 2004⁽¹⁾ were as follows:

Month	Share Price (High) (C\$)	Share Price (Low) (C\$)	Total Monthly Volume
January	20.50	17.00	495,971
February	19.75	17.35	365,428
March	18.75	17.00	1,584,291
April	17.49	15.50	152,075
May	16.50	12.14	301,849
June	15.75	13.50	604,712
July	16.00	14.75	61,333
August	15.54	13.40	209,694
September	14.59	13.40	205,848
October	15.50	13.85	671,644
November	18.10	15.00	2,946,560
December	17.50	16.00	1,533,496

⁽¹⁾Data supplied by the Toronto Stock Exchange.

The transfer agent and registrar for our common shares is Computershare Investor Services Inc. at its principal office at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets forth the names of each of our Directors, together with their province and country of residence; the date from which each served as a Director; their principal occupations and their occupations for the previous five years; certain other directorships; and the number of common shares (including deferred share units) of the Corporation owned beneficially, or over which control or direction is exercised, by such person at the date of this AIF. The term of office for each of the directors will expire at the time of our next annual shareholders' meeting, scheduled to be held on June 9, 2005.

Name and Residence	Director Since	Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised	Options
Roger Martin Ontario, Canada Mr. Martin is Dean and Professor of Strategy at the Joseph L. Rotman School of Management at the University of Toronto. Mr. Martin was formerly a director of Monitor Company, a Cambridge, Massachusetts based consulting firm, and is Chair of the Ontario Task Force on Competitiveness, Productivity, and Economic Progress. Mr. Martin also serves as a director on the board of The Thomson Corporation, serves on the advisory boards of Butterfield & Robinson and Social Capital Partners, is a founder of E-magine and serves as a trustee of The Hospital for Sick Children.	November, 2003	42,202	35,714
Peter Dey Ontario, Canada Mr. Dey is a Partner of Osler, Hoskin & Harcourt and practices in the field of corporate governance. Mr. Dey chaired the Toronto Stock Exchange Committee on corporate governance. Mr. Dey is a former Chairman of Morgan Stanley Canada Limited and a former Chairman of the Ontario Securities Commission. Mr. Dey is a director of CP Ships Limited and Camco Inc.	December, 2003	1,786	15,874
David Goldman Ontario, Canada Mr. Goldman is currently acting as a management consultant to industry and is Executive Chairman of Mamma.com Inc., (NASDAQ: MAMA). From November 2001 to January 2004, he was Chairman and Chief Executive Officer of Intasys Corporation, a predecessor of Mamma.com. From 1997 to 2001, Mr. Goldman was Executive Vice-President and Chief Operating Officer of Noranda Inc. Mr. Goldman is a director of SNCLavalin Inc. and Jaguar Nickel Inc., each of which is listed on the TSX.	July, 2000	37,497	17,858
David Ossip Ontario, Canada Mr. Ossip founded Workbrain and has served as its President and Chief Executive Officer since 1999. Prior to founding Workbrain, Mr. Ossip was the Chief Executive Officer of Business Machine Interfaces, Inc. (BMI) which he founded in 1992.	December, 1999	see Note 1	nil
Scott Yaphe Massachusetts, United States Mr. Yaphe is a partner at ABS Ventures, a private equity fund focused on software and telecommunications investment opportunities. Prior to joining ABS in 2000, he served as Director of Corporate Development at Saraide, Inc. Mr. Yaphe received his MBA from Harvard Business School and a Bachelor of Commerce from McGill University.	June, 2003	nil	nil
Alon Ossip Ontario, Canada Mr. Ossip is a partner at the law firm of Goodman and Carr LLP where he carries on a broad practice involving all aspects of business and tax law, both nationally and internationally. He represents clients ranging from major public corporations to smaller, privately held companies, on a wide range of matters.	June, 2004	see Note 1	nil
Gerald Throop Ontario, Canada Mr. Throop is Executive Vice President and Head of Capital Markets for Rockwater Capital Corporation and First Associates Investments Inc. From April 1998 until December 2003, Mr. Throop was Executive Vice-President, Managing Director, and Head of Equities at Merrill Lynch Canada Inc. During this period, Mr. Throop served on the board of Merrill Lynch Canada Inc. and on the board of two of its privately owned subsidiaries. From 1999 until 2004, Mr. Throop served as a director of the Toronto Stock Exchange. In addition, he is a board member of the Foundation for the Centre for Addiction & Mental Health.	June, 2004	1,786	17,483

Note 1:

The Ossip Family Trust holds 400,000 common shares directly and 4,044,200 common shares indirectly through its 100% ownership and control of 6 Mead Inc., which owns 4,044,200 common shares. The Ossip Family Trust is maintained for the benefit of certain beneficiaries, including David Ossip, who is an officer and director of Workbrain Corporation, Alon Ossip, who is a director of Workbrain Corporation, and other persons related to them.

The following table sets forth the names of each of our executive officers, together with their province and country of residence; their positions with us; their principal occupations for the previous five years; and the number of common shares (including deferred share units) of the Corporation owned beneficially, or over which control or direction is exercised, by such person at the date of this AIF.

Name and Residence	Employee Since	Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised	Options
David Ossip Ontario, Canada Mr. Ossip founded Workbrain and has served as its President and Chief Executive Officer since 1999. Prior to founding Workbrain, Mr. Ossip was the Chief Executive Officer of Business Machine Interfaces, Inc. (BMI) which he founded in 1992.	1999	see Note 1	nil
David Stein Ontario, Canada Mr. Stein co-founded Workbrain in 1999. Mr. Stein was appointed Chief Strategy Officer in 2004. From 1999 to 2001, Mr. Stein was Workbrain's Vice President Sales & Marketing. In 2002, Mr. Stein was appointed Senior Vice President with responsibility for Sales, Marketing, and Business Development and was then appointed Executive Vice President in 2003.	1999	416,000	36,400
Stephen DeBacco Georgia, United States Mr. DeBacco was appointed Chief Operating Officer in 2004. Mr. DeBacco joined Workbrain in 2000 as Vice President, US Sales. In 2003, Mr. DeBacco was appointed Senior Vice President Worldwide Sales & Marketing. From 1997 to 1999, Mr. DeBacco was the Director of Southeast Sales Operations at Ariba Incorporated.	2000	13,650	82,850
Matthew Chapman Ontario, Canada In 2003, Mr. Chapman was appointed Chief Financial Officer, responsible for all aspects of finance and administration at Workbrain. Mr. Chapman joined Workbrain in 2000 as Director of Finance. In 2002, Mr. Chapman served as Vice President Finance.	2000	497	56,060
Susan Hutt (see Note 2) Ontario, Canada Ms. Hutt joined Workbrain in 2005 as the Senior Vice President of Global Services assuming responsibility for Workbrain's consulting, hosting and training organizations. Previously, Ms. Hutt held executive positions at PeopleSoft and most recently served as Group Vice President of Global Services. Prior to joining PeopleSoft in 1994, Ms. Hutt held various senior positions with Integral Systems.	2005	nil	50,000
Mark Fowlie Ontario, Canada Mr. Fowlie joined Workbrain in 2003 as the Vice President of Marketing. Previously, Mr. Fowlie served as Vice-President of Product Marketing at Amdocs where he was responsible for worldwide product strategy and marketing. Prior to Amdocs, Mr. Fowlie held the post of Director, Product Management for Solect Technology Group, where he was a founding employee. Amdocs acquired Solect in 2000.	2003	nil	36,000

Scott Morrell Ontario, Canada Mr. Morrell co-founded Workbrain in 1999. Mr. Morrell served as Workbrain's Vice President of Technology from 1999-2003 before taking his current position as Vice-President of Research and Development. Prior to co-founding Workbrain Mr. Morrell worked at BMI as senior developer.	1999	140,000	4,000
Raymond Nunn Ontario, Canada Mr. Nunn co-founded Workbrain in 1999. Mr. Nunn serves as Vice President Customer Services. Prior to co-founding Workbrain Mr. Nunn worked as a National Manager Customer Support at ABI.	1999	118,948	6,208
Daniel Debow Ontario, Canada Mr. Debow joined Workbrain in 2000 as Director of Operations, and then served as Vice President of Marketing from 2002 until 2003. Mr. Debow is now Vice President, Corporate Development. Prior to Workbrain, Mr. Debow worked for a major Wall Street investment bank and a leading international law firm.	2000	500	10,600

Note 1:

The Ossip Family Trust holds 400,000 common shares directly and 4,044,200 common shares indirectly through its 100% ownership and control of 6 Mead Inc., which owns 4,044,200 common shares. The Ossip Family Trust is maintained for the benefit of certain beneficiaries, including David Ossip, who is an officer and director of Workbrain Corporation, Alon Ossip, who is a director of Workbrain Corporation, and other persons related to them.

Note 2:

Susan Hutt was employed in March, 2005. Reported shares and options were granted as at March 15, 2005.

The Board of Directors and its Committees

Our Board of Directors is accountable to our shareholders for the conduct of our business and affairs and to establish policies and procedures designed to promote and monitor good corporate governance and effective corporate management. The role of our Board of Directors is to supervise our management and focus on stewardship rather than our day-to-day operations. Our Board of Directors currently has an Audit Committee, a Human Resources & Compensation Committee and a Corporate Governance Committee. The composition of the committees and a summary of each committee's responsibilities are set out below.

Directors

Peter Dey
David Goldman
Roger Martin (Chair)
David Ossip
Alon Ossip
Gerald Throop
Scott Yaphe

Committees

Corporate Governance (Chair)
Corporate Governance, HR & Compensation (Chair), Audit
HR & Compensation, Audit
None
Corporate Governance
Audit (Chair)
Corporate Governance, HR & Compensation, Audit

Human Resources & Compensation Committee

The Human Resources & Compensation Committee (the “Compensation Committee”) assists our Board of Directors to ensure that we maintain a high calibre of executive management and a total compensation plan that is competitive, motivating and rewarding for participants. The Compensation Committee reviews and makes recommendations to our Board of Directors regarding the appointment of executive officers and the establishment of, and any material changes to, executive compensation programs, including that of the Chief Executive Officer. The Compensation Committee approves and reports to our Board of Directors on management succession plans. The Compensation Committee is also responsible for overseeing our employee compensation and benefits plans.

Corporate Governance Committee

The Corporate Governance Committee is responsible for advising and making recommendations to our Board of Directors in the development and monitoring of our approach to corporate governance and all matters relating to our corporate governance practices including: all matters relating to the stewardship role of our Board of Directors; the size and composition of our Board of Directors including the identification of new nominees; compensation of our Directors; and such procedures as may be necessary to allow our Board of Directors to function independently of management. The Corporate Governance Committee periodically reviews the size, composition and compensation of our Board of Directors and its committees. The Committee also assesses the effectiveness of our Board of Directors and its individual members, and the appropriateness and effectiveness of its committee structures and mandates. The Corporate Governance Committee also reviews the Chief Executive Officer’s goals and objectives at the start of each year, provides an appraisal of the Chief Executive Officer’s performance for the most recently completed year, and is responsible for succession planning in respect of our Chief Executive Officer.

Audit Committee

The Audit Committee assists our Board of Directors in fulfilling its oversight responsibilities in relation to: the integrity of our financial statements and our internal control systems; our compliance with legal and regulatory requirements; the qualifications, independence and performance of our external auditor; the performance of our internal audit function; and our risk management, financial planning, investment and capital-raising activities. The Audit Committee supervises the adequacy of our internal accounting controls and financial reporting practices and procedures and the quality and integrity of our audited and unaudited financial statements, including through discussions with our external auditor. The Audit Committee reviews business plans and operating and capital budgets, meets with our management and Chief Financial Officer to keep informed of all significant financial matters, and meets with our external auditor to ensure its independence from management and that it is provided with sufficient resources to carry out its mandate. The Audit Committee is responsible for ensuring efficient and effective assessment of management of risk throughout the Company.

Additional Audit Committee Information:

1. Audit Committee Mandate

The Mandate of the Audit Committee is attached to this AIF as Appendix A.

2. Composition of the Audit Committee

The Audit Committee consists of the following members:

Gerald Throop (Chair)
David Goldman
Roger Martin
Scott Yaphe

Each member of the Audit Committee is (i) independent and (ii) financially literate.

3. Relevant Education and Experience. In addition to the Director profiles set forth earlier in this AIF in the Section entitled “Directors and Officers”, the following is a description of the relevant education and experience of the Audit Committee members:

Mr. Throop earned his CA designation in 1982, and received his MBA from Harvard University in 1988. Mr. Throop practiced as a chartered accountant with a Canadian national accounting firm over a period of seven years. In addition, he has served as the Chief Financial Officer of two different Canadian public companies, for an aggregate period of over 5 years and has more recently been engaged in the investment banking arm of the financial services industry. Mr. Throop's education and experience have provided him with an understanding of generally accepted accounting principles, and the ability to assess the application of such principles to the Company's accounting for estimates, accruals and reserves. He has experience preparing, auditing, analyzing and evaluating financial statements having a breadth and level of complexity similar to or more complex than those of the Company. He has practical knowledge of internal controls and procedures for financial reporting

Mr. Goldman received his MBA from Concordia University in 1981. Through education and experience as a senior executive and a board member and Audit Committee member of various public companies, Mr. Goldman has practical knowledge of financial statements and mergers and acquisitions.

Mr. Martin received his MBA from Harvard Business School in 1981. Mr. Martin's experience and education support his practical knowledge of financial statements.

Mr. Yaphe received his MBA from Harvard Business School and a Bachelor of Commerce from McGill University. Through both education and experience, Mr. Yaphe has practical facility with financial statements.

4. Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of the auditor to perform non-audit services. The pre-approval policy provides a detailed definition of prohibited services, for which the Company's auditors may not be engaged. The

pre-approval policy sets out the specific types of audit services, audit-related services, tax services and other services that are pre-approved by the Audit Committee, and the manner by which they are pre-approved. In particular, the Audit Committee pre-approves audit services through its recommendation of the auditors at the Company's annual meeting and through its review of the annual audit plan. Actual audit-related, tax and other services are reported to the Audit Committee quarterly in arrears. The Chair of the Audit Committee may approve additional services (other than prohibited services) on a case-by-case basis.

5. External Auditor Service Fees

The following table sets out the aggregate fees billed by the Company's external auditor in each of the last two fiscal years:

Category	Fiscal Year Ending December 31, 2004	Fiscal Year Ending December 31, 2003
Audit Fees	\$ 264,200	\$ 48,252
Audit-Related Fees (see Note 1)	\$ 3,641	\$ 399,223
Tax Fees (see Note 2)	\$ 6,043	\$ 16,050
All Other Fees	\$ -	\$ -

Note 1: Audit-related fees in 2003 included advice on various ongoing matters and services in connection with the acquisition of Workforce Logistics Inc. and the initial public offering completed in December 2003.

Note 2: Tax fees consisted of charges in connection with various tax planning and compliance matters.

Disclosure Policy

Our Board of Directors is responsible for adopting and periodically reviewing and updating our written corporate disclosure and insider trading policy. This policy, among other things:

- articulates legal obligations with respect to confidential corporate information;
- identifies spokespersons who are the persons authorized to communicate with third parties such as analysts, media and investors;
- provides guidelines on the disclosure of forward-looking information;
- establishes procedures for reviewing disclosure, prohibiting selective disclosure of material information and addressing inadvertent disclosure; and
- establishes "black-out" periods prior to the disclosure of certain financial information and material changes.

Related Party Transactions

In the normal course of business, we have received services from a law firm, a partner of which is a director of Workbrain and the brother of our Chief Executive Officer. Fees charged by that law firm were based on the same hourly rates charged by the applicable professionals to unrelated parties. During the year ended December 31, 2004, total amounts paid by us to such law firm for legal services and other services aggregated \$377,000 (2003 - \$282,000).

Shareholdings of Directors and Executive Officers

To the knowledge of the Company, as at March 15, 2005, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 30% of the outstanding common shares of the Company and no director or executive officer of the Company owned or controlled voting securities of any of the Company's subsidiaries.

ADDITIONAL INFORMATION

Copies of this Annual Information Form and such other information and documentation that we make available via SEDAR can be found at www.sedar.com. Additional financial information is provided in our financial statements and in our Management's Discussion and Analysis related thereto. Copies of our Workbrain Corporation's Annual Report to Shareholders for the year ended December 31, 2004 (the "2004 Annual Report") can be found at www.sedar.com or can be obtained as set out below.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans will be contained in our information circular to be distributed to shareholders in connection with our annual general meeting which will be held on June 9, 2005.

The information referred to herein may also be obtained from:

Workbrain Corporation
Investor Relations
250 Ferrand Drive
Suite 1200
Toronto, Ontario
M3C 3G8

Telephone: 416-421-6700 (Toronto area)
1-888-219-9993 (North America)
Facsimile: 416-421-8440
Email: investor@workbrain.com

APPENDIX A

WORKBRAIN CORPORATION BOARD OF DIRECTORS

AUDIT COMMITTEE MANDATE

1. PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities in relation to the integrity of the financial statements and financial reporting processes of Workbrain Corporation (the “Corporation”), the integrity of the internal control systems of the Corporation, the Corporation’s compliance with legal and regulatory requirements, the qualifications, independence and performance of the auditor, the performance of the Corporation’s financial officers and executives (“Management”), the risk management, financial planning, investment and capital-raising activities, and to perform the additional duties set out in this charter or otherwise delegated to the Audit Committee by the Board.

2. MEMBERS

On the recommendation of the Corporate Governance Committee, the Board must annually appoint a minimum of three and a maximum of 6 directors to be members of the Audit Committee. Members must be independent directors¹, must be financially literate² or agree to become financially literate within a reasonable period of time following the member’s appointment; and not serve on the audit committees of two or more other publicly traded issuers (unless the Board determines that service on those other audit committees would not impair the ability of the member to effectively serve on the Audit Committee).

Each year, the Board must appoint one member to be chair of the Audit Committee (the “Chair”). If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed.

Each member must hold office until his or her one-year term as a member of the Audit Committee expires or is terminated. Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out herein. The Board must fill vacancies in the Audit Committee by appointment from among the members of the Board in accordance with the procedures set out herein. If a vacancy exists on the Audit Committee, the remaining members shall exercise all its powers so long as a quorum remains in office.

3. DUTIES

(a) Oversight Responsibility. Management of the Corporation is responsible for the design and implementation of accounting and reporting systems, supported by internal controls to safeguard assets from loss or unauthorized use and to ensure that transactions are properly authorized, recorded and reported, and the preparation of the Corporation’s financial statements in accordance with generally accepted accounting principles (“GAAP”). The auditor is responsible to plan and perform an audit to express an opinion on whether the annual financial statements

¹ As defined in Multilateral Instrument 52-110 under the Ontario Securities Act.

² Ibid, Note 1.

present fairly, in all material respects, the financial position of the Corporation and the results of its operations and its cash flows in accordance with GAAP. The Audit Committee is responsible to oversee these processes and to set the tone for quality financial reporting, open communication between the Board, auditor and Management, sound business risk practices and ethical behaviour.

(b) Relationship with the Auditor. The Audit Committee is responsible for recommending the auditor to the Board. The Board will review this recommendation and nominate the auditor to be proposed for appointment by the shareholders. The auditor reports directly to the Audit Committee. The Audit Committee must have a clear understanding with Management and the auditor that the auditor is ultimately accountable to the Audit Committee and the Board, as representatives of the shareholders. The Audit Committee must review the auditor's engagement letter.

(c) Evaluation of the Auditor. The Audit Committee must, after taking into account the opinions of Management, evaluate the performance of the auditor and the engagement partner. The Audit Committee must seek comments from Management of the Corporation for the appointment or reappointment of the auditor. If Management proposes a change in auditor, the Audit Committee must consider the reasons for the change, including the response of the incumbent auditor. If a change in auditor is proposed, the Audit Committee must review the transition plans with Management, the incumbent auditor and the proposed auditor to ensure an orderly transition.

(d) Independence of the Auditor. At least annually, and before the auditor issues its report on the annual financial statements, the Audit Committee must:

- ensure that the auditor submits a formal written statement defining all relationships between the auditor (including all related businesses or practices) and the Corporation;
- discuss with the auditor any disclosed relationships or services that may affect the objectivity and independence of the auditor;
- obtain written confirmation from the auditor that they are objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which they belong; and
- consider the safeguards implemented by the auditor to minimize any threats to their independence.

The Audit Committee should consider whether or not it is appropriate to recommend to the Board a policy of rotating auditors on a regular basis, or of requesting that the auditor rotate the engagement partner more frequently than every five years (as is required under the rules of the Canadian Public Accountability Board).

(e) Non-Audit Services. The Audit Committee has adopted specific policies and procedures for the engagement of the auditor to perform non-audit services. The pre-approval policy provides a detailed definition of prohibited services, for which the Company's auditors may not be engaged. The pre-approval policy sets out the specific types of audit services, audit-related services, tax services and other services that are pre-approved by the Audit Committee, and the manner by which they are pre-approved. In particular, the Audit Committee pre-approves audit services through its recommendation of the auditors at the Company's annual meeting and through its review of the annual audit plan. Actual audit-related, tax and other services are reported to the Audit Committee quarterly in arrears. The Chair of the Audit Committee may approve additional services (other than prohibited services) on a case-by-case basis.

(f) Communications with the Auditor. The Audit Committee must meet privately with the auditor at least once per quarter to discuss any items of concern to the Audit Committee or the auditor. The Audit Committee also must meet privately with the auditor to discuss any items of concern relating to the annual audit, such as:

- problem areas that will be referred to in the auditor’s management letter;
- whether or not the auditor is satisfied with the quality and effectiveness of the financial recording procedures and systems;
- the extent to which the auditor is satisfied with the nature and scope of the auditor’s examination;
- whether or not the auditor has received full co-operation of management and staff of the Corporation; and
- the auditor’s opinion of the competence and performance of the Chief Financial Officer (the “CFO”), and other key financial personnel.

In each such meeting, the Audit Committee should discuss with the auditor the items required to be communicated to the Audit Committee under the Canadian Institute of Chartered Accountants’ Handbook section 5751, Communications with those having oversight responsibility for the financial reporting process.

(g) Review of the Audit Plan. The Audit Committee must discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under generally accepted auditing standards (“GAAS”) and consider:

- whether or not the nature and scope of the planned audit procedures can reasonably be expected to:
- detect weakness in internal control and frauds or other illegal acts; and
- determine whether the financial statements present fairly, in all material respects, the financial position of the Corporation in accordance with GAAP.

(h) Audit Fees. The Audit Committee has the sole authority to determine the auditor’s fee. In determining the auditor’s fee, the Audit Committee must consider the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Corporation and other support provided by the Corporation to the auditor.

(i) Disclosure of Financial and Related Information

Review of Annual Audited Financial Statements

The Audit Committee must:

- review the annual audited financial statements, before their approval by the Board, to assess whether or not they present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows;
- review the auditor’s report; and
- review the related management discussion and analysis (“MD&A”).

In conducting their review, the Audit Committee must:

- discuss the annual audited financial statements and MD&A with Management and the auditor;
- consider the quality of, and not just the acceptability of, the accounting principles, the reasonableness of Management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss any analyses prepared by Management or the auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons, if any, that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Corporation;
- discuss with Management, the auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- discuss with Management and the auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;
- discuss with the auditor any special audit steps taken in light of material weaknesses in internal control;
- review the results of the audit, including any reservations or qualifications in the auditor's opinion;
- discuss with the auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the auditor but were "passed" (as immaterial or otherwise), and significant disagreements with management; and
- consider any other matter, which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements.

Review of Interim Financial Statements and Other Financial Information

The Audit Committee must engage the auditor to review the quarterly interim financial statements prior to the Audit Committee's review of those financial statements.

The Audit Committee must discuss the interim financial statements and related MD&A with Management and the auditor, and if satisfied that the financial statements present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows, review the financial statements and the related MD&A on behalf of the Board and, if appropriate, recommend these to the Board for approval.

The Audit Committee must review and recommend to the Board for the Board's approval, before its public release, all earnings guidance and all news releases containing financial information based on the Corporation's financial statements that have not been publicly released.

When recommending that the Board approve the release of pro forma or adjusted non-GAAP information, the Audit Committee must ensure that the information does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the information, in light of the circumstances under which it was presented, not misleading. The Audit Committee must also reconcile the information with the financial condition and results of operations under GAAP.

In conducting these reviews, the Audit Committee must consider the matters set out above under the heading "Review of Annual Audited Financial Statements", as are applicable in the circumstances.

Review of Prospectuses and Other Regulatory Filings

The Audit Committee must review all other financial statements that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities.

The Audit Committee must review the information contained in prospectuses or other offering or public disclosure documents and statements required by regulatory authorities to ensure that each document or statement is consistent with the financial statements and that such document or statement does not contain any untrue statement of any material fact or omit to state a material fact that is required or necessary to make the document or statement not misleading, in light of the circumstances under which it was made.

In conducting these reviews, the Audit Committee must consider the matters set out above under the heading "Review of Annual Audited Financial Statements", as are applicable in the circumstances.

(j) Relationship with Management. The Audit Committee must:

- meet privately with Management at least once per quarter to discuss any areas of concern to the Audit Committee or Management;
- review the performance of the CFO and other senior executives involved in the financial reporting process and approve the appointment of and departure of individuals occupying these positions;
- recommend to the Board clear policies for hiring former partners or employees of the auditor who were engaged on the Corporation's account; and
- keep Management informed of all significant matters dealt with by the Audit Committee.

(k) Complaints Procedure. The Audit Committee is responsible for establishing procedures for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission of concerns by employees of the Corporation regarding accounting, internal controls or auditing matters.

(l) Relationship With and Expectations of the Internal Audit Function. The Audit Committee must assess whether or not an internal audit function should be established, and, if so, establish the mandate, budget, planned activities and organizational structure of the internal audit function to ensure that it is independent of Management and is provided with sufficient resources to carry out its mandate. The Audit Committee must discuss this mandate with the auditor.

(m) Oversight of Internal Controls and Disclosure Controls. The Audit Committee must:

- review with Management the internal controls that have been adopted to safeguard assets from loss and unauthorized use and ensure the accuracy of the financial records;
- review any internal control letter prepared by the auditor and Management's responses to that letter;
- discuss material internal control weaknesses, if any, with Management, and the auditor and discuss management's plans to rectify the weaknesses; and
- oversee investigations of alleged fraud and illegality, if any, relating to the Corporation's finances.

(n) Legal Compliance. The Audit Committee must review with legal counsel any legal matters that could have a significant effect on the Corporation's financial statements and the Corporation's compliance with applicable laws and regulations relating to financial reporting and disclosure. The Audit Committee must review inquiries received from regulators and governmental agencies to the extent that they may have a material impact on the financial position of the Corporation and advise the Board accordingly. The Audit Committee must review the procedures adopted by the Corporation that ensure that the Corporation has withheld all material statutory deductions and remitted them to the appropriate authorities.

(o) Risk Management. The Audit Committee must meet periodically with Management to discuss the Corporation's major financial risk exposures and the steps Management has taken to monitor and control these risks. The Audit Committee is not expected or required to be the sole body responsible for risk assessment and management, but it must discuss the guidelines and policies to govern the process by which risk assessment and Management is undertaken.

(p) Financial Planning and Investments. The Audit Committee must review the annual business plan, including the annual budget, and recommend these to the Board for approval, as well as review periodic financial forecasts. The Audit Committee must review and approve the investment policy, review investment opportunities of a value exceeding Management's authority in accordance with such policy, and review reports from Management on the results of investment decisions. The Audit Committee must assess Management's plans with respect to raising additional funds whether through debt or equity issuance, in accordance with procedures established by the Board from time to time.

(q) Conduct and Ethics. The Audit Committee must:

- review all expenses incurred by the chair of the Board and Chief Executive Officer (the “CEO”), and must ensure that the CEO or the CFO (as designated by the CEO) review all expenses incurred by the directors and senior officers of the Corporation and report to the Audit Committee thereon;
- approve any waivers of the Code of Business Conduct and Ethics that are sought by officers or by members of the Board;
- oversee the investigation of any alleged breach by senior officers of the Corporation’s Code of Business Conduct and Ethics; and
- ensure that waivers of the Code of Business Conduct and Ethics are promptly disclosed to shareholders by informing the Governance Committee and a member of the Corporation’s Disclosure Committee.

(r) Related Party Transactions and Conflicts of Interest. The Audit Committee must review and pre-approve all proposed related party transactions and potential conflict of interest situations that are not required to be dealt with by an “independent special committee” pursuant to securities law rules.

4. REVIEW AND DISCLOSURE OF CHARTER

This Charter must be reviewed by the Audit Committee at least annually and be submitted to the Corporate Governance Committee for approval with such amendments as the Audit Committee proposes. This Charter must be disclosed to shareholders annually in the Corporation’s Annual Information Form.³

5. ASSESSMENT OF AUDIT COMMITTEE

The Corporate Governance Committee must assess the effectiveness of the Audit Committee in meeting its objectives by reference to the duties set out in this Charter.

6. MEETINGS

The Chair may call a meeting of the Audit Committee at any time, and must call a meeting of the Audit Committee when requested to do so by a member of the Audit Committee, the external auditor, the chair of the Board, the CEO or the CFO. In any event, the Audit Committee must meet at least four times annually. Notices of Audit Committee meetings shall be sent to all Committee members, to the CEO of the Corporation, and to all Directors. The auditor must be given notice of each meeting of the Audit Committee and must be invited to attend and be heard at the meeting on matters relating to the auditor’s duties. The Audit Committee may invite any person to attend meetings of the Audit Committee.

7. QUORUM

Quorum is defined as the Chair (or another member with accounting or financial expertise) plus 50% of the other members of the Audit Committee. In the absence of the Chair at a meeting of the Audit Committee, the members in attendance must select one of them to act as chair of that meeting.

³ As required by Multilateral Instrument 52-110F1 under the Ontario Securities Act.

8. SECRETARY AND MINUTES

The secretary of the Board, or such other person as the Chair may appoint, shall be appointed secretary of the Audit Committee. The Audit Committee must keep minutes of its proceedings and circulate a copy of the minutes to each member of the Board on a timely basis. The minutes will be duly entered into the books of the Corporation.

9. RETENTION OF EXPERTS

The Audit Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of the Corporation, as it considers necessary to perform its duties.

10. ACCESS TO RECORDS

The Audit Committee, and any legal, accounting or other experts engaged by the Audit Committee, shall be given access to all records and information relating to the Corporation that they believe are relevant to the performance of their duties.