

# **CORPORATION WANTED TECHNOLOGIES**

## **MANAGEMENT COMMENTS AND ANALYSIS**

### **Introduction**

The following analysis concerns the financial situation, operating results and cash flow of Corporation Wanted Technologies (“Wanted” or the “Company”) for the third quarter of the financial year 2006 and for the nine-month period ended March 31, 2006. It was prepared by the management of Wanted and should be read in conjunction with the information in the unaudited financial statements and related notes for the third quarter ended March 31, 2006 and 2005, as well as the audited financial statements for the year ended June 30, 2005.

The unaudited interim consolidated financial statements for the third quarter ended March 31, 2006 were prepared according to Canadian generally accepted accounting principles (GAAP), and have not been examined by the Company’s auditors. Unless otherwise stated, the accounting principles and procedures used for these financial statements are identical to those used to prepare the Company’s most recent financial statements. However, they do not include all the information required for preparation of the annual financial statements. All the financial information presented below is in Canadian dollars.

### **Overview**

Wanted is a provider of business intelligence services and software concerning online recruitment for the human resources industry, in areas such as recruitment and staffing agencies, recruitment media such as newspapers and electronic bulletin boards, career transition agencies and recruitment advertising agencies. Wanted is also the exclusive data provider for the Conference Board’s (US) Help-Wanted Online Data Series™, a monthly economic indicator of employment availability.

Wanted has reached new heights with sales in excess of \$469,813 for the third quarter ended March 31, 2006. This represents a 20% increase in sales compared to the corresponding period last year. This growth is due to the recruitment of new clients, including Gannet, the largest newspaper group in the United States. It is important to note that the Wanted revenue model is based on renewable annual contracts that generate recurring revenues for the Company.

During this quarter, Wanted focused major marketing and sales efforts on the recruitment of new clients and worked diligently on the establishment of an operational and administrative infrastructure to support future growth.

As of March 31, 2006, the Company had over \$1,950,000 in liquid assets to support its growth strategy and product development.

## Quarterly results

	For the quarter ended March 31, 2006 Q3 (unaudited) (\$)	For the quarter ended December 31, 2005 Q2 (unaudited) (\$)	For the quarter ended September 30, 2005 Q1 (unaudited) (\$)
<b>Data relating to income statement:</b>			
Sales	469,813	447,635	394,185
Operating costs	628,805	476,275	343,781
Earnings (loss) before other items	(158,992)	(28,640)	50,404
Other items:			
Stock based compensation	(37,960)		(303,600)
Dividend on class "C" shares			(141,251)
Net loss	(196,952)	(28,640)	(394,447)
<b>Balance sheet data:</b>			
Total assets	2,705,823	2,813,822	2,825,153
Total liabilities	616,907	582,714	623,877

	For the quarter ended March 31, 2005 Q3 (unaudited) (\$)	For the quarter ended December 31, 2004 Q2 (unaudited) (\$)	For the quarter ended September 30, 2004 Q1 (unaudited) (\$)
<b>Data relating to income statement:</b>			
Sales	392,343	360,077	313,448
Operating costs	329,180	311,925	271,421
Earnings before other items	63,163	48,152	42,027
Other items:			
Dividend on class "C" shares	(155,202)	(162,178)	(130,027)
Net loss	(92,039)	(114,026)	(88,000)
<b>Balance sheet data:</b>			
Total assets	856,105	780,980	791,877
Total liabilities	7,309,066	7,141,902	7,038,773

## **Sales**

For the third quarter ended March 31, 2006, sales totalled \$469,813, compared to \$392,343 for the third quarter ended March 31, 2005, which represents an increase of \$77,470 (or 20%). This increase in sales is due to the recruitment of new clients, including Gannet, the largest newspaper group in the United States. This sales growth is the fruit of the Company's efforts in the development of solutions targeting the American newspaper market; it is also due to the fact that, from one quarter to the next, Wanted continues to confirm the growth of its market share in this sector.

Eighty-eight per cent (88%) of Wanted sales are from the United States and are in US dollars. Losses due to the exchange rate between the US and Canadian dollar were negligible during the third quarter ended March 31, 2006 and represent a loss of \$2,256 for the period. Losses due to the fluctuation of the exchange rate for the nine-month period ended March 31, 2006 totalled \$24,381.

For the nine-month period ended March 31, 2006, sales totalled \$1,311,633, compared to \$1,065,868 for the same period last year, which represents an increase of \$245,765 (or 23%). This growth is due to the same factors listed above.

## **Research and development expensescosts**

Research and development expenses, net of tax credits for a company established at the *Centre national des nouvelles technologies de Québec* (CNNTQ – Quebec centre for new technologies, totalled \$142,664 for the third quarter ended March 31, 2006, compared to \$45,600 for the corresponding quarter in the 2005 fiscal year, which represents an increase of \$97,064 (or 213%). The sharp increase in these costs is due to the hiring of new personnel dedicated to the development of new product versions and of new products destined for new market segments – all of this is supported by the implementation of a technological infrastructure appropriately tailored to the Company's growth projects.

For the nine-month period ended March 31, 2006, research and development expenses totalled \$319,434, compared to \$175,682 for the corresponding period last year. This increase of \$143,752 (or 82%) is due to the investments mentioned above.

## **Marketing and selling expenses**

For the third quarter ended March 31, 2006, marketing and selling expenses totalled \$239,620, compared to \$115,631 for the corresponding quarter last year, which represents an increase of \$123,989 (or 107%). This increase is essentially due to the hiring of new employees for product marketing and sales as well as to increased investments in advertising and marketing activities.

For the nine-month period ended March 31, 2006, marketing and sales expenses totalled \$543,896, compared to \$295,594 for the corresponding period in the 2005 fiscal year. As mentioned above, this increase of \$248,302 (or 84%) for the period is explained by the increased sales force put into place to support our growth strategy and by an enhanced marketing effort targeting the newspaper market in the United States.

## **Administrative expenses**

For the quarter ended March 31, 2006, administrative expenses totalled \$252,091, compared to \$142,485 for the corresponding quarter in the 2005 fiscal year, which represents an increase of \$109,606 (or 77%).

This increase is mainly due to the hiring of new personnel in the Finance and Administration departments as well as to the additional costs the Company has to bear now that it is a public corporation.

For the nine-month period ended March 31, 2006, administrative expenses incurred by the Company totalled \$548,921, compared to \$335,838 for the corresponding period ended March 31, 2005. This increase of \$213,083 (or 63%) is mainly due to the factors mentioned above.

### **Financial expenses**

For the quarter ended March 31, 2006, net financial expenses generated revenues of \$5,570, compared to an expenditure of \$25,464 for the corresponding quarter in the 2005 fiscal year, which represents a positive difference of \$31,034 for the Company. Net financial expenses consist mainly of interest income on short-term investments, interest charges on the long-term debt, interest on notes payable and on convertible loans, as well as losses and gains on exchange. The following factors explain this variation:

- Following the qualifying transaction completed on September 20, 2005, Wanted became a public company listed on the TSX Venture Exchange. This process allowed Wanted to obtain financing for net proceeds of \$1,883,270, which made it possible to generate interest income.
- Interest charges were considerably reduced in 2006 due to the fact that, on the date of the qualifying transaction, the notes and convertible loans that remained in place throughout the 2005 fiscal period were converted into class "A" shares of Wanted capital.

For the nine-month period ended March 31, 2006, net financial expenses totalled \$36,610, compared to \$105,412 for the corresponding period in the 2005 fiscal year, which represents a decrease of \$68,802. As mentioned above, this decrease is mainly explained by the reduction of the interest charges on notes and convertible loans following the conversion of these financial instruments into class "A" shares on the date of the qualifying transaction, as well as by the increase in interest income resulting from the investment of the proceeds of the issue of shares. A portion of this decrease is also due to the reduction of losses on exchange, which totalled \$24,381 for the nine-month period ended March 31, 2006, compared to \$33,173 for the first nine months of 2005.

### **Earnings (loss) before other items**

During the quarter ended March 31, 2006, losses before other items were \$158,992, compared to earnings before other items of \$63,163 for the third quarter of 2005, which represents a decrease of \$222,155. Despite the increase in sales, this decrease is the direct result of the establishment of operational, commercial and administrative structures and resources, which should allow Wanted to maintain sales growth in upcoming quarters.

The reasons mentioned above also explain the fact that losses before other items totalled \$137,228 for the first nine months of the 2006 fiscal year, compared to earnings before other items of \$153,342 for the same period in 2005.

### **Net loss**

The net loss was \$196,952 for the third quarter of 2006, compared to \$92,039 for the same period last year. This increase of the net loss, totalling \$104,913, is mainly due to the following factors:

- As mentioned above, since the beginning of the fiscal year, the Company has invested in the implementation of operational, commercial and administrative resources to support its commercial development and its growth. These investments led to an additional \$222,155 in operational losses before other elements compared to the same period last year.
- During the quarter ended March 31, 2006, Wanted issued 1,300,000 stock options to its officers and directors, which generated an expenditure of \$37,960 in stock-based compensation.
- During the quarter ended March 31, 2005, the Company recorded an expense of \$155,202 in consideration of the return on class “C” shares. Following the completion of the qualifying transaction during the quarter ended September 30, 2005, all category “C” shares of Wanted share capital were converted to class “A” shares, which eliminated this expenditure for the future.

For the nine-month period ended March 31, 2006, the net loss was \$620,039, compared to a net loss of \$294,065 for the same period last year. This increase of the net loss, totalling \$325,974, is due to the following factors:

- As mentioned above, since the beginning of the fiscal year, the Company has invested in the implementation of operational, commercial and administrative resources to support its commercial development and growth. These investments led to an additional \$290,570 in losses before other elements compared to the same period last year.
- During this period, \$341,560 were recorded in stock-based compensation. However, Wanted had no such expenditure to record for the 2005 fiscal year.
- During the nine-month period ended March 31, 2005, the Company recorded an expenditure of \$447,407 in consideration of the return on class “C” shares, compared to an expenditure of \$141,251 recorded prior to the completion of the qualifying transaction. Following the completion of the qualifying transaction on September 20, 2005, all class “C” shares of Wanted share capital were converted to class “A” shares of Wanted capital, which eliminated this expenditure for the future.

The net loss per share for the quarter ended March 31, 2006 and for the quarter ended March 31, 2005 was \$0.01.

The net loss per share for the nine-month period ended March 31, 2006 was \$0.04, compared to a net loss per share of \$0.03 for the same period in the 2005 fiscal year.

## Cash flow

As of March 31, 2006, the cash balance totalled \$208,828, compared to \$225,166 at the beginning of the fiscal year. Wanted had no bank debt.

For the third quarter ended March 31, 2006, cash flow from operating activities generated \$109,859, compared to \$203,373 for the third quarter ended March 31, 2005, which represents a decrease of \$93,514. This decrease is largely due to the \$104,913 increase of the net loss, which went from \$92,039 for the third quarter of 2005 to \$196,952 for the same quarter in the 2006 fiscal year.

For the nine-month period ended March 31, 2006, cash flow from operating activities totalled \$116,132, compared to \$53,764 for the same period last year, which represents an increase of \$62,368. This variation is due to the \$325,974 increase of the net loss, the \$306,156 decrease of the dividends on the class "C" shares, the \$341,560 increase of stock-based compensation and the \$332,012 positive variation of working capital items as compared to the same period in the 2005 fiscal year. It should be noted that this positive variation of working capital items is largely due to the positive fluctuation, totalling \$303,000, in customer accounts and other receivables for the nine-month period of the current fiscal year as compared to the same period last year.

For the third quarter of the 2006 fiscal year, cash flow from investing activities required liquid assets of \$130,423, compared to \$11,660 for the same period last year, which represents an increase of \$118,763. This increase is due to an additional \$117,400 in short-term investments.

For the first nine months of the 2006 fiscal year, cash flow related to investing activities required cash assets in the amount of \$1,112,849, compared to \$32,009 for the same period last year. This difference is due to the acquisition of fixed assets, totalling \$162,072, required to meet the Company's technological needs, the receipt of corporate liquidity funds totalling \$799,223 and the investment of \$1,750,000 in short-term investments.

For the quarter ended March 31, 2006, cash flow from financing activities totalled \$33,113, compared to the use of funds totalling \$61,839 during the same period last year. This difference of \$94,952 is due to the receipt of \$61,100 following the exercise of options and to a \$33,852 decrease in loan repayments as compared to the same quarter in the 2005 fiscal year.

For the first nine months of the 2006 fiscal year, cash flow generated by financing activities totalled \$980,379, compared to \$40,100 for the first nine months of the 2005 fiscal year, which represents a difference of \$940,279. This increase is principally due to the issue of convertible notes payable in the amount of \$200,000, the issue of shares via the qualifying transaction and the exercise of options in the amount of \$1,131,100 and is partially offset by share issue costs in the amount of \$335,538.

For the quarter ended March 31, 2006, the net increase in the cash balance was \$12,549, compared to \$129,874 for the same period last year.

For the nine-month period ended March 31, 2006, the cash balance decreased by \$16,338, compared to an increase of \$61,855 for the same period in the 2005 fiscal year.

## **Financial Situation**

### **Assets**

As of March 31, 2006, Wanted had \$1,958,828 in cash and short-term investments, compared to \$225,166 on June 30, 2005. This increase in the Company's liquid assets is essentially due to the completion of the qualifying transaction and to the public offering of shares issued on September 20, 2005.

As of March 31, 2006, short-term assets totalled \$2,375,906, compared to \$667,621 on June 30, 2005, which represents an increase of \$1,708,285. This significant increase is also due to monies received following the completion of the qualifying transaction and the public offering of shares.

As of March 31, 2006, fixed assets totalled \$320,515, compared to \$232,407 on June 30, 2005, which represents an increase of \$88,108. This increase is principally due to major investments in computer equipment to support growth and to improve customer service.

Deferred expenses of \$139,452 posted on June 30, 2005 represented professional fees relating to the completion of the eligible transaction. These expenses were accounted for by reducing proceeds of the share issuance at the time the shares were issued.

As of March 31, 2006, total assets were \$2,705,823, compared to \$1,051,339 on June 30, 2005, which represents an increase of \$1,654,484. As mentioned above, this increase is essentially due to monies received from the qualifying transaction and the public offering of shares.

### **Liabilities**

As of March 31, 2006, liabilities totalled \$619,907, compared to \$7,708,285 on June 30, 2005, which represents a decrease of \$7,088,378. This decrease is principally due to the following factors:

- A decrease in supplier accounts and accrued liabilities in the amount of \$272,031 as of March 31, 2006 as compared to June 30, 2005. This decrease is partly due to the conversion of the interest accrued on convertible notes and loans at the time the qualifying transaction into class "A" shares, which totalled \$155,516. This variance is also partially due to a decrease in supplier accounts and accrued liabilities in the amount of \$116,515 between June 30, 2005 and March 31, 2006.
- Convertible notes payable, convertible loans and class "C" shares reported under liabilities on June 30, 2005 totalled \$5,406,185. All of these financial vehicles were entirely converted into Wanted class "A" shares on the completion date of the qualifying transaction.
- Accumulated dividends dated June 30, 2005 totalling \$1,570,494, as well as accumulated dividends for the period from September 1, 2005 to September 20, 2005 totalling \$141,251, reported in the results for the first quarter of 2006 were cancelled and offset on the completion date of the qualifying transaction through the issue of 1,350,321 warrants convertible into 1,350,321 class "A" shares of the Company at a price of \$0.40 per share.

## **Shareholders' equity**

On March 31, 2006, shareholders' equity totalled \$2,088,916, compared to shareholders' deficiency of \$6,656,946 on June 30, 2005. This increase in the company's shareholders' equity in the amount of \$8,745,862 is due to an increase in capital stock in the amount of \$7,784,578, an increase in the contributed surplus in the amount of \$1,849,131 and the recording of warrants totalling \$303,150. This increase is also offset by a deficit increase of \$1,222,797.

The increase in shareholders' equity is essentially due to two factors. First, an increase of \$5,406,185 in shareholders' equity resulting from the conversion of convertible notes, convertible loans and class "C" shares to class "A" shares pursuant to the completion of the qualifying transaction. Second, this increase is the result of the receipt of net proceeds totalling \$1,883,270 following the issuance of class "A" shares as part of the public offering of shares issued in conjunction with the completion of the qualifying transaction.

The increase in the contributed surplus is essentially due to the profits, totalling \$1,408,595, earned on the waiving of dividends on class "C" shares on the date of the qualifying transaction and on the recording of share-based compensation from the beginning of the 2006 fiscal year in the amount of \$471,800.

As for the increase in the deficit, aside from the \$620,039 loss recorded in the first nine months of 2006, the Company also incurred share acquisition and issuance costs totalling \$605,758, which were posted to the deficit during the first quarter of the 2006 fiscal year.

## **Modification of accounting policies**

### **Class « C » shares, convertible notes payable and loans**

On November 5, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants (CICA) released Abstract 149 Accounting for Retractable or Mandatory Redeemable Shares, which in particular, provides guidance on circumstances where it is possible to classify retractable or mandatory redeemable shares as equity rather than liability instruments. In order to comply with these new standards, the Company has presented the convertible notes payable and convertible loans and the Class "C" shares entirely as liabilities. Moreover, dividends on Class "C" shares must be recorded in the statement of earnings.

### **Stock-based compensation and other stock-based payments**

In 2003, the CICA amended its position regarding stock-based compensation requiring Companies to measure and expense any equity instruments attributed to employees and directors for years beginning on or after January 1, 2004 using the fair value method. The fair value of stock options awarded to employees and directors is computed on the award date using an option pricing method and the compensation expense is recognized over the option vesting period. Effective July 1, 2004, the Company retroactively adopted the new standards for all stock options awarded since July 1, 2002 without restating prior periods. Previously, the Company did not recognize any stock-based compensation expense. This change led to a \$173,682 increase in contributed surplus and deficit.

## **Principal accounting policies**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. Items in the financial statements requiring more use of estimates include the costing of options and warrants, provision for bad debt expenses, and the evaluation of some accrued liabilities. Actual results could be different from these estimates, but management does not consider that they will entail major changes in terms of divulged results.

## **Risks and uncertainties**

The Company has sustained operating losses over the current financial year and preceding financial years. The Company's ability to discharge its obligations by the dates set and to finance future activities depends on its ability to reach a profitable level or on the support of its shareholders and creditors. These financial statements were prepared in virtue of the assumption of the continuity of operation.

The Company is of the opinion that it is rigorously monitoring these risks and uncertainties. The Company is constantly reviewing its competitive environment and the evolution of its market, as well as constantly improving and developing its products by investing in research and development.

## **Perspectives**

Increased sales are essential to the Company's profitability. To reach this goal, Wanted has begun hiring new employees dedicated to product research, development, marketing and sales as well as new employees for the finance department in order to sustain growth effectively over the coming quarters.

As mentioned above, the Wanted revenue model is based on renewable annual contracts that generate recurring revenues for the Company. Customer satisfaction with our products and the enhanced value of our products in terms of the development of our client's businesses, combined with our investments and efforts focused on the implementation of a structure that will allow us to generate and manage future growth efficiently suggest that we may attain the break-even point by the end of the next fiscal year.

## **Prospective statements**

Apart from historical data, the financial analysis by management contains information and statements concerning the future results of the Company that should be considered as prospective. These statements reflect the current vision of the Company concerning future events, and are based on information currently available to the Company and on reasonable assumptions. These prospective statements are subject to risks, uncertainties and other factors likely to influence the results, performance and achievements of the Company such that they could be substantially different from the results, performance and achievements that such prospective statements might imply. The Company has no intention and no obligation to update or revise these prospective statements if new information is discovered, or in light of future events etc.

## **Information communication controls and procedures**

The Company has set up controls and procedures for the presentation of information, so that the financial information divulged in this analysis by management, in the consolidated financial statements and in the relevant quarterly documents, is properly recorded, processed, summarized and reported to the audit committee and the Board of Directors. Company management has a procedure for checking the effectiveness of these controls and procedures, and is satisfied, at the end of the quarter ended March 31,

2006, that they ensure that the financial information is full and reliable. All the documents can be consulted on the Sedar website at [www.sedar.com](http://www.sedar.com).

**Information on shares outstanding, warrants and stock options**

Below is the breakdown of shares outstanding, warrants and stock options awarded by the Company, as of March 31, 2006.

Class "A" shares	20 611 750
Warrants	1 350 321
Stock options issued within Wanted's share option plan	2 000 000
Compensatory share purchase options issued to the underwriter	262 500

At the close of the qualifying transaction, on September 20, 2005, 10 593 284 class "A" shares were escrowed and cannot be transferred, hypothecated, pledged or otherwise alienated without the consent of the regulatory authorities. These shares will be released in several stages over a period of maximum 36 months counting from September 20, 2005.

**Further information**

The Company is an issuer in accordance with the regulations governing securities; consequently it is obliged to submit financial statements, an information circular and an annual information form to the various bodies regulating securities. A copy of said documents can be obtained on request to the Company or via the Internet at [www.sedar.com](http://www.sedar.com).

May 29, 2006