



**MANAGEMENT DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**SECOND QUARTER OF 2007**

**ENDED DECEMBER 31, 2006**

**As at February 26, 2007**

# WANTED TECHNOLOGIES CORPORATION

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Introduction

The following analysis concerns the financial situation, operating results and cash flow of Wanted Technologies Corporation (“Wanted” or the “Company”) for the quarter and six-month period ended December 31, 2006 as compared to the quarter and six-month period ended December 31, 2005. This management report, prepared as at February 26, 2007, should be read in conjunction with the unaudited financial statements and associated notes for the second quarter of fiscal 2007 ended December 31, 2006, along with the annual audited financial statements for the fiscal year ended June 30, 2006.

**The financial statements were prepared in accordance with Canadian generally accepted accounting principles as established by the Canadian Institute of Chartered Accountants. Unless otherwise specified, all of the financial information presented below is in Canadian dollars.**

### Overview

---

Wanted is a provider of business intelligence services and software for online recruitment activities and for residential real estate advertising activities. As a result of its capacity to aggregate, sort and present information from various sources in a precise manner, WANTED is able to gauge trends in classified advertising and, more importantly, to deliver information on targeted leads. Targeted industries include media such as newspapers and electronic bulletin boards, recruitment and staffing agencies, career transition agencies, and recruitment advertising agencies.

### Q2 – 2007 Highlights

- Significant revenue growth:
  - New peak with sales of \$758,643 and 69% revenue growth for Q2-2007 vs. Q2-2006;
  - 88% growth of recurring revenue base as compared to the quarter ended December 31, 2005.
  
- Wanted is profitable for the second consecutive quarter
  - Net earnings of \$75,546 for the quarter compared to net earnings of \$15,834 the previous quarter.

## Key Performance Indicators

Wanted assesses the Company's performance based on key financial indicators, including revenues and net earnings. These items are described in the appropriate sections below. Management also monitors performance using a number of operating indicators, including growth of recurring monthly revenues.

## Main Quarterly Financial Data

(In Canadian dollars)	Q2-2007 31-12-2006	Q2-2006 31-12-2005	6 Mts - 2007 31-12-2006	6 Mts - 2006 31-12-2005
	\$	\$	\$	\$
Sales	758,643	447,635	1,414,988	841,820
Net earnings (Net loss)	75,546	(28,640)	91,380	(423,087)
Net earnings (net loss) per share – basic and diluted	0.004	(0.001)	0.004	(0.027)

## Operating Results

### Sales

For the quarter ended December 31, 2006, the Company's sales totalled \$758,643, compared to \$447,635 for the corresponding period in the previous fiscal year, an increase of 69%. For the six-month period ended December 31, 2006, the Company's sales totalled \$1,414,988, compared to \$841,820 for the corresponding period in the previous fiscal year, an increase of 68%.

This growth in sales is directly related to the increase in Wanted customers. This growth reflects the newspaper industry's appreciation for Wanted products, as well as the Company's leadership position in this emerging market.

Wanted's revenues primarily come from renewable annual contracts that generate recurring revenues for the Company. As at December 31, 2006, contracts in hand represented just over \$3 million in annualized revenues, whereas contracts in hand as at December 31, 2005 totalled \$1.6 million dollars in annualized revenues, an increase of 88%. It should be noted that the concept of recurring annualized revenues assumes that all current customer contracts will be renewed as of the calculation date, since the majority of Wanted's customer contracts are 12-month agreements.

Eighty-nine per cent (89%) of Wanted's sales for the first six months of fiscal 2007 represent sales in U.S. dollars.

## **Cost of goods sold**

The cost of goods sold corresponds to the cost of purchasing databases that Wanted sometimes resells to its customers. Wanted thus occasionally acts as a database reseller for certain specific projects. Sales for the quarter ended December 31, 2006 associated with this type of transaction totalled \$17,368.

## **Research and development expenses**

Research and development expenses, net of research and development tax credits and tax credits for a company established at the Centre National des Nouvelles Technologies de Québec (CNNTQ – Quebec centre for new technologies), totalled \$197,378 for the quarter ended December 31, 2006, compared to \$109,233 for the same quarter in 2006, an increase of \$88,145 or 81%. The significant increase in these costs is due to the hiring of new personnel dedicated to the development of new product versions for the recruitment market, and of new products for the residential real estate advertising market, all of which is supported by the implementation of a technological infrastructure appropriately tailored to the growth projects. For the first six months of fiscal 2007, these costs totalled \$398,102, compared to \$176,770 for the corresponding period in fiscal 2006. In addition to the previously mentioned items, the increase of \$221,332 or 125% for the six-month period is more significant considering that during the first quarter of fiscal 2006 the Company was not yet publicly traded and was operating with very limited resources.

Over the three-month period ended December 31, 2006, Wanted recorded a \$67,105 research and development tax credit and tax credit for a company established at the CNNTQ, compared to \$20,816 for the corresponding period in the previous fiscal year. For the first six months of fiscal 2007, Wanted recorded a \$103,410 tax credit compared to \$31,216 for the corresponding period in the previous fiscal year.

## **Marketing and selling expenses**

For the quarter ended December 31, 2006, marketing and selling expenses totalled \$224,778, compared to \$191,577 for the corresponding period in the previous fiscal year, an increase of \$33,201 or 17%. This increase is mainly due to the hiring of new employees dedicated to the marketing of Wanted's products. The hiring of additional personnel in early fiscal 2007 enabled Wanted to strengthen its market presence and to broaden its geographic coverage of the market for marketing purposes.

For the first six months of fiscal 2007, marketing and selling expenses totalled \$456,276, compared to \$304,275 for the corresponding period in fiscal 2006, an increase of \$152,001 or 50%. This substantial increase is due to marketing investments to support sales growth, which led to the hiring of new personnel and greater participation in promotional activities over the last 12 months.

## **Administrative expenses**

Administrative expenses totalled \$227,300 for the quarter ended December 31, 2006, compared to \$176,928 for the corresponding period in the previous fiscal year, an increase of \$50,372 or 28%. This increase is mainly due to the implementation of an adequate administrative structure in the third quarter of fiscal 2006 to support the Company's growth strategy, and to the fact that the Company has been a reporting issuer since September 20, 2005. Consequently, several expense items were not present in the corresponding quarter of the previous fiscal year.

For the first six months of fiscal 2007, administrative expenses totalled \$431,672, compared to \$296,831 for the same period in fiscal 2006. This increase of \$134,841, or 45%, is also due to the fact that the current administrative structure was not in place during the first six months of the previous fiscal year.

## **Net financial expenses**

For the quarter ended December 31, 2006, net financial expenses generated revenues of \$1,493, compared to \$3,551 for the first quarter of fiscal 2006. Net financial expenses consist mainly of interest income on short-term investments, interest charges on the long-term debt, and interest on convertible loans.

For the first half of fiscal 2007, net financial expenses generated revenues of \$2,069, compared to an expenditure of \$20,055 for the first six months of fiscal 2006. This variation of \$22,124 is due to the reduction of interest charges on notes and convertible loans following the conversion of these financial instruments into Class "A" Common Shares of Wanted capital pursuant to the first quarter qualifying transaction in the previous fiscal year, and to the increase in interest income from short-term investments.

## **Net earnings**

Net earnings for the second quarter of fiscal 2007 totalled \$75,546, compared to a net loss of \$28,640 for the same period in fiscal 2006, an improvement of the Company's profitability in the amount of \$104,186. This improvement in the Company's financial situation is directly related to the increase in sales. It should be noted that the increase in sales was partially offset by investments in the implementation of the operational, commercial and administrative structures and resources required to allow Wanted to sustain future sales growth.

For the first six months of fiscal 2007, net earnings totalled \$91,380, compared to a net loss of \$423,087 for the first six months of fiscal 2006. This positive difference of \$514,067 is mainly due to the following factors:

- The increase in sales partially offset by the investments made to support Wanted's commercial development and growth resulted in an increase in earnings before other items of \$77,804, compared to the same period last year;
- During the first six months of fiscal 2007, \$36,618 was recorded as stock-based compensation compared to \$303,600 for the same period last year, which represents a positive difference of \$266,982;
- For the first six months of the previous fiscal year, the Company recorded an expense of \$141,251 in consideration of the return on Class "C" shares. Following the completion of the qualifying transaction on September 20, 2005, all Class "C" shares of Wanted share capital were converted into Class "A" Common Shares of Wanted capital, which eliminated this expenditure for the future;
- The Company realized a gain on exchange of \$6,305 during the first six months of fiscal 2007, compared to losses on exchange of \$22,125 for the first six months of fiscal 2006, which represents a positive difference of \$28,430.

Net earnings per share for the quarter ended December 31, 2006 were \$0.004, compared to a net loss per share of \$0.001 for the three-month period ended December 31, 2005.

For the first six months of fiscal 2007, net earnings per share were \$0.004, compared to a net loss per share of \$0.027 for the six-month period ended December 31, 2005.

## Main Quarterly Financial Data\*\*\*

(In Canadian dollars)	Third Quarter \$	Fourth Quarter \$	First Quarter \$	Second Quarter \$
<b>Quarter ended</b>	<b>3-31-2006</b>	<b>6-30-2006</b>	<b>9-30-2006</b>	<b>12-31-2006</b>
Sales	469,813	597,662	656,345	758,643
Net earnings (Net loss)	(196,952)	(51,802)	15,834	75,546
Net earnings (net loss) per share – basic and diluted	(0.010)	(0.003)	0.001	0.004
<b>Quarter ended</b>	<b>3-31-2005</b>	<b>6-30-2005</b>	<b>9-30-2005</b>	<b>12-31-2005</b>
Sales	392,343	401,545	394,185	447,635
Net loss	(92,039)	(203,985)	(394,447)	(28,640)
Net loss per share –basic and diluted	(0.009)	(0.020)	(0.035)	(0.001)

\*\*\*: See the previous financial results analysis for an explanation of the variations in the results found in the above table.

## Cash Flow

---

As at December 31, 2006, the cash position totalled \$156,774, compared to \$104,271 at the beginning of the fiscal year.

### Operating activities

During the quarter ended December 31, 2006, operating activities generated \$104,576, compared to \$99,738 for the corresponding period in the previous fiscal year, an increase of \$4,838. This variation is largely due to an increase of \$104,186 in the Company's net earnings offset by a negative fluctuation of working capital items in the amount of \$149,782, compared to the previous fiscal year.

For the first six months of fiscal 2007, operating activities generated \$80,347, compared to \$103,204 for the corresponding period in fiscal 2006, a decrease of \$22,857. This variation is due to the following factors:

- Improvement to the Company's profitability in the amount of \$514,467 (net earnings of \$91,380 during the first six months of 2007 vs. net loss of \$423,087 during the first six months of 2006);
- No expenses were entered during the six months ended December 31, 2006 related to dividends on Class "C" shares compared to \$141,251 for the corresponding period in the previous fiscal year;
- During the first six months of fiscal 2007, \$36,618 was recorded as stock-based compensation compared to \$303,600 for the same period last year, which represents a difference of \$266,982;
- Negative fluctuation of working capital items in the amount of \$137,012, compared to the previous fiscal year.

### Investment activities

For the second quarter of fiscal 2007, cash flow related to investment activities required cash totalling \$15,098, compared to \$974,674 for the corresponding period in the previous fiscal year, a decrease of \$959,576. This difference is largely due to:

- A decrease in the amount of \$77,791 in investments in fixed assets and software during the quarter, compared to the same period in the previous fiscal year;
- The receipt of corporate liquidity funds in the amount of \$750,815 in relation to the September 20, 2005 qualifying transaction during the second quarter of the previous fiscal year;
- The investment of \$1,632,600 in term deposits during the second quarter of the previous fiscal year.

For the first six months of fiscal 2007, cash flow related to investment activities required cash totalling \$183,917, compared to \$1,079,357 for the corresponding period in the previous fiscal year, a decrease of \$895,440. This difference is largely due to a \$62,063 decrease in investments in the acquisition of fixed

assets and software, and, as previously mentioned, to the receipt of corporate liquidity funds and to investments in term deposits during the corresponding period in the previous fiscal year.

## **Financing activities**

During the second quarter of fiscal 2007, \$20,738 was used for financing activities, whereas these activities had generated \$933,274 during the second quarter of fiscal 2006, a difference of \$954,012. During the second quarter of the present fiscal year, \$20,738 was used for debt repayment compared to \$1,188 in the second quarter of fiscal 2006, whereas during the same period in the previous fiscal year, a net amount of \$934,462 had been generated by the issue of a debenture and shares as part of the completion of the qualifying transaction.

For the first six months of fiscal 2007, cash flow related to investment activities generated \$156,073, compared to \$947,266 for the corresponding period in the previous fiscal year, a decrease of \$791,193. This difference is largely due to the financing obtained in the previous fiscal year as part of the qualifying operation. During the first six months of fiscal 2007, the Company obtained financing in the amount of \$171,000 for the acquisition of fixed assets and an amount of \$20,000 resulting from the issue of shares following the exercise of options. Moreover, the Company spent \$34,927 on loan repayments during this period.

The net increase in cash position over the quarter ended December 31, 2006 was \$68,740, compared to a net increase in cash position of \$58,338 for the corresponding period of the previous fiscal year.

Since the start of fiscal 2007, the cash position increased by \$52,503, compared to a decrease of \$28,887 for the corresponding period in the previous fiscal year.

The Company estimates that it will have to invest an additional amount of about \$120,000 in fixed assets over the next six months of fiscal 2007 to sustain growth. The Company expects to finance most of these potential acquisitions.

## Financial Situation

---

### Assets

As at December 31, 2006, Wanted had \$1,856,774 in cash and short-term investments, compared to \$1,804,271 on June 30, 2006.

As at December 31, 2006, short-term assets totalled \$2,534,748, compared to \$2,242,285 on June 30, 2006. This increase of \$292,463 is mainly due to the increase in accounts receivable and to receivable tax credits.

As at December 31, 2006, fixed assets and software assets totalled \$451,572, compared to \$337,924 on June 30, 2006. This increase is mainly due to investments in computer equipment to support growth and improve customer service.

As at December 31, 2006, total assets were \$2,986,320, compared to \$2,580,209 on June 30, 2006, an increase of \$406,111. As previously mentioned, this increase is primarily due to an increase in accounts receivable, receivable tax credits, and investments in computer equipment.

### Liabilities

As at December 31, 2006, total liabilities were \$796,833, compared to \$538,720 on June 30, 2006, an increase of \$258,113. This increase is largely due to the debt of \$171,000 incurred during the first quarter to finance the purchase of computer equipment as well as to the increase in deferred revenue.

### Contractual obligations

	Required payments, by period			
	Total	Less than one year	2 to 3 years	4 to 5 years
	\$	\$	\$	\$
Long-term debt	166,367	112,955	53,412	-
Convertible debenture	200,000	-	200,000	-
Use of office space	206,400	71,540	98,080	36,780
Equipment rental	53,314	51,195	2,119	-

On September 20, 2005, the Company issued a convertible debenture to Innovatech Québec in exchange for \$200,000 in cash. This convertible debenture matures in September 2008 and bears interest at an annual rate of 10%. Until its due date, this debenture is convertible into Class "A" shares on the basis of one Class "A" Company share per \$0.60 of debenture capital. Interest is payable quarterly.

## **Shareholders' equity**

As at December 31, 2006, the Company had 20,687,672 Class "A" shares, 1,430,000 stock options, and 1,350,321 outstanding warrants.

## **Significant Accounting Policies**

---

The Company's consolidated financial statements are prepared in accordance with Canadian GAAP, which require management to make estimates and assumptions that affect the amounts of the assets and liabilities, the information provided regarding contingent assets and liabilities as of the date of the financial statements, as well as revenue and expense amounts for the periods in question. Items in the financial statements that require a greater use of estimates include: costing of options and warrants, provisions for bad debt expenses, and the evaluation of certain accrued liabilities. Though actual results may differ from these estimates, management does not consider that they will differ significantly from the announced results.

## **Information Communication Controls and Procedures**

---

The Company has implemented controls and procedures for the presentation of information to ensure that the financial information reported in this management analysis, in the consolidated financial statements, and in the associated quarterly documents, is properly recorded, processed, summarized, and reported to the audit committee and the Company's Board of Directors. Management has a procedure to assess the efficiency of these controls and procedures and, as of the end of the quarter ended December 31, 2006, management is satisfied that they adequately ensured the completeness and reliability of the financial information. All of the documents can be viewed on the SEDAR Web site ([www.sedar.com](http://www.sedar.com)).

## **Risks and Uncertainties**

---

Wanted's sphere of activity is subject to a variety of risk factors and uncertainties. The Company's business, financial position and operating results may suffer the adverse effects of the risk factors and uncertainties listed below. These factors are not the only ones that may affect the Company.

Other risks and uncertainties currently unknown to the Company or regarded as negligible could also impact its business operations.

- History of recent losses
- Competition
- Length of sales cycle
- Economy
- Credit risk
- Exchange risk

## **Perspectives**

---

Wanted attained a major milestone during the six months ended December 31, 2006, when it became profitable. Furthermore, increased sales are essential to making the Company more profitable and sustaining its growth. To reach this goal, Wanted has hired new employees dedicated to product marketing and sales and to product research and development.

## **Prospective Statements**

---

Apart from historical data, the financial analysis by management contains information and statements concerning the future results of the Company which should be considered as prospective. These statements reflect the current vision of the Company concerning future events; they are based on information currently available to the Company and on reasonable hypotheses. These prospective statements are subject to risks, uncertainties and other factors likely to influence the results, the performance and the achievements of the Company such that they could differ substantially from the results, performance and achievements prospective statements of this nature might imply. The Company is in no way obliged nor does it intend to update or revise these prospective statements on the basis of new information, future events, etc., unless required by applicable securities legislation.

## **Further Information**

---

The Company is an issuer under the legislation governing securities. Consequently, it is required to submit financial statements, a proxy circular, as well as an annual information form to the various regulatory authorities governing securities. These documents can be obtained by sending a request to the Company or from the Internet at [www.sedar.com](http://www.sedar.com).

Philippe Frenière  
VP Finance and Chief Financial Officer