



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

**THIRD QUARTER OF 2007**

**ENDED MARCH 31, 2007**

**At May 28, 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 nine-month period ended March 31, 2007 as compared to the quarter and nine-month period ended March 31, 2006. This management report, prepared as at May 28, 2007, should be read in conjunction with the unaudited financial statements and associated notes for the third quarter of fiscal 2007 ended March 31, 2007, 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

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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.

### Q3 – 2007 Highlights

- Significant revenue growth:
  - New peak with sales of \$843,064 and 79% revenue growth for this quarter compared to Q3-2006;
  - 72% revenue growth for the first nine months of fiscal 2007 compared to the corresponding period in fiscal 2006;
  - 80% growth of recurring revenue base as compared to the quarter ended March 31, 2006.
  
- Wanted is profitable for the third consecutive quarter
  - Record-breaking net earnings of \$125,623 during the first quarter compared to net earnings of \$75,546 in the previous quarter and \$15,834 in the first quarter of fiscal 2007.

## 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)	Q3-2007 31-3-2007	Q3-2006 31-3-2006	9 months - 2007 31-3-2007	9 months -2006 31-3-2006
	\$	\$	\$	\$
Sales	843,064	469,813	2,258,052	1,311,633
Net earnings (Net loss)	125,623	(196,952)	217,003	(620,039)
Net earnings (net loss) per share – basic and diluted	0.006	(0.010)	0.011	(0.036)

## Operating Results

### Sales

For the quarter ended March 31, 2007, the Company's sales totalled \$843,064, compared to \$469,813 for the corresponding period in the previous fiscal year, an increase of 79%. For the nine months ended March 31, 2007, the Company's sales totalled \$2,258,052, compared to \$1,311,633 for the corresponding period in the previous fiscal year, an increase of 72%.

This growth in sales is directly related to the increase in Wanted customers. This substantial growth for the first nine months of the fiscal year 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 March 31, 2007, contracts in hand represented roughly \$3.5 million in annualized revenues, whereas contracts in hand as at March 31, 2006 totalled approximately \$1.9 million dollars in annualized revenues, an increase of 80%. 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.

Ninety per cent (90%) of Wanted's sales for the first nine 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. During the quarter ended March 31, 2007, Wanted did not make any sales of this type, whereas sales related to this type of transaction totalled \$17,368 for the first nine months of the fiscal year.

## **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 \$247,968 for the quarter ended March 31, 2007, compared to \$142,664 for the same quarter in fiscal 2006, an increase of \$105,304 or 74%. 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 nine months of fiscal 2007, these costs totalled \$646,070, compared to \$319,434 for the corresponding period in fiscal 2006. In addition to the previously mentioned items, the increase of \$326,636 or 102% for the nine months ended March 31, 2007 is more significant than in early fiscal 2006 considering that the Company was not yet publicly traded and was operating with very limited resources.

Over the three-month period ended March 31, 2007, Wanted recorded a \$60,679 research and development tax credit and tax credit for a company established at the CNNTQ, compared to \$28,577 for the corresponding period in the previous fiscal year. For the first nine months of fiscal 2007, Wanted recorded a \$164,089 tax credit compared to \$59,793 for the corresponding period in the previous fiscal year.

## **Marketing and sales expenses**

For the quarter ended March 31, 2007, marketing and sales expenses totalled \$269,822, compared to \$239,620 for the corresponding period in the previous fiscal year, an increase of \$30,202 or 13%. This increase is mainly due to the hiring of new employees dedicated to the marketing of Wanted's products.

For the nine months ended March 31, 2007, marketing and sales expenses totalled \$726,098, compared to \$543,895 for the corresponding period in fiscal 2006, an increase of \$182,203 or 33%. 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. The hiring of additional personnel in early fiscal 2007 enabled Wanted to strengthen its market presence and to generate the growth recorded to date. Wanted expects to expand its sales team in the coming quarters to support its growth strategy.

## **Administrative expenses**

Administrative expenses totalled \$182,946 for the quarter ended March 31, 2007, compared to \$252,091 for the corresponding period in the previous fiscal year, a decrease of \$69,145 or 27%. This decrease is mainly due to the posting of certain non-recurring expenses during the third quarter of the previous fiscal year, such as bad debts and professional fees for setting up an organizational structure that takes into account the fact that the Company has been a reporting issuer since September 20, 2005.

For the first nine months of fiscal 2007, administrative expenses totalled \$614,618, compared to \$548,922 for the same period in fiscal 2006. This increase of \$65,696, or 12%, is mainly 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 March 31, 2007, net financial expenses generated revenues of \$1,989, compared to \$7,826 for the corresponding period 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 nine months of fiscal 2007, net financial expenses generated revenues of \$4,058, compared to an expenditure of \$12,229 for the first nine months of fiscal 2006. This variation of \$16,287 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 third quarter of fiscal 2007 totalled \$125,623, compared to a net loss of \$196,952 for the same period in fiscal 2006, an improvement of the Company's profitability in the amount of \$322,575. 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 nine months of fiscal 2007, net earnings totalled \$217,003, compared to a net loss of \$620,039 for the first nine months of fiscal 2006. This positive difference of \$837,042 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 \$378,857, compared to the same period last year;
- The Company took a loss on exchange of \$1,805 during the first nine months of fiscal 2007, compared to a loss on exchange of \$24,381 for the corresponding period of fiscal 2006, which represents a positive difference of \$22,576.
- During the first nine months of fiscal 2007, \$47,202 was recorded as stock-based compensation compared to \$341,560 for the same period last year, which represents a negative difference of \$294,358;
- For the first quarter 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;

Net earnings per share for the quarter ended March 31, 2007 were \$0.006, compared to a net loss per share of \$0.010 for the three-month period ended March 31, 2006.

For the first nine months of fiscal 2007, net earnings per share were \$0.011, compared to a net loss per share of \$0.036 for the nine-month period ended March 31, 2006.

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

(In Canadian dollars)	Fourth Quarter \$	First Quarter \$	Second Quarter \$	Third Quarter \$
<b>Quarter ended</b>	<b>30-6-2006</b>	<b>30-9-2006</b>	<b>31-12-2006</b>	<b>31-3-2007</b>
Sales	597,662	656,345	758,643	843,064
Net earnings (Net loss)	(51,802)	15,834	75,546	125,623
Net earnings (net loss) per share – basic and diluted	(0.003)	0.001	0.004	0.006
<b>Quarter ended</b>	<b>30-6-2005</b>	<b>30-9-2005</b>	<b>31-12-2005</b>	<b>31-3-2006</b>
Sales	401,545	394,185	447,635	469,813
Net loss	(203,985)	(394,447)	(28,640)	(196,952)
Net loss per share – basic and diluted	(0.020)	(0.035)	(0.001)	(0.010)

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

## Cash Flow

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As at March 31, 2007, the cash position totalled \$307,267, compared to \$104,271 at the beginning of the fiscal year.

### Operating activities

During the quarter ended March 31, 2007, operating activities generated \$341,293, compared to \$109,859 for the corresponding period in the previous fiscal year, an increase of \$231,434. This variation is largely due to an increase of \$322,575 in the Company's net earnings offset by a negative fluctuation of working capital items in the amount of \$91,259, compared to the previous fiscal year.

For the first nine months of fiscal 2007, operating activities generated \$421,639, compared to \$116,132 for the corresponding period in fiscal 2006, an increase of \$305,507. This variation is due to the following factors:

- Improvement to the Company's profitability in the amount of \$837,042 (net earnings of \$217,003 during the first nine months of 2007 vs. a net loss of \$620,039 during the corresponding period of 2006);
- Amortization expenses on fixed assets and software totalled \$112,259 for the first nine months of fiscal 2007, compared to \$67,240 for the corresponding period in the previous fiscal year, an increase of \$45,019.
- No expenses were entered during the first nine months of fiscal 2007 related to dividends on Class "C" shares, compared to \$141,251 for the corresponding period in the previous fiscal year;
- During the first nine months of fiscal 2007, \$47,202 was recorded as stock-based compensation compared to \$341,560 for the same period last year, which represents a positive difference of \$294,358;
- Negative fluctuation of working capital items in the amount of \$152,944, compared to the previous fiscal year.

### Investment activities

For the third quarter of fiscal 2007, cash flow related to investment activities required cash totalling \$188,755, compared to \$130,423 for the corresponding period in the previous fiscal year, an increase of \$58,332. This difference is largely due to:

- An increase in the amount of \$75,732 in investments in fixed assets and software during the quarter, compared to the same period in the previous fiscal year;
- A \$17,400 decrease in investments in term deposits compared to the corresponding period of the previous fiscal year.

For the first nine months of fiscal 2007, cash flow related to investment activities required cash totalling \$372,672, compared to \$1,112,849 for the corresponding period in the previous fiscal year, a decrease in cash used for these activities of \$740,177. This difference is largely due to:

- A \$110,600 increase in investments in the acquisition of fixed assets and software for setting up technological infrastructures;
- The receipt of corporate liquidity funds in the amount of \$799,223 during the previous fiscal year when the Company became a reporting issuer;
- A \$1,650,000 decrease in investments in term deposits compared to the corresponding period of the previous fiscal year.

## **Financing activities**

During the third quarter of fiscal 2007, \$2,044 was used for financing activities, whereas these activities had generated \$33,113 during the third quarter of fiscal 2006, a difference of \$35,157. During the third quarter of the present fiscal year, \$59,451 was used for debt repayment while the Company incurred new loans in the amount of \$57,407 in order to finance the acquisition of fixed assets. During the third quarter of fiscal 2006, \$27,987 was used for debt repayment while the issue of shares generated cash in the amount of \$61,100.

For the first nine months of fiscal 2007, cash flow related to investment activities required cash totalling \$154,029, compared to \$980,379 for the corresponding period in the previous fiscal year, a reduction of \$826,350. This difference is largely due to the financing obtained in the previous fiscal year as part of the qualifying operation. During the first nine months of fiscal 2007, the Company obtained financing in the amount of \$228,407 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 \$94,378 on loan repayments during this period.

The net increase in cash position over the quarter ended March 31, 2007 was \$150,493, compared to a net increase in cash position of \$12,549 for the corresponding period of the previous fiscal year.

Since the start of fiscal 2007, the cash position increased by \$202,996, compared to a decrease of \$16,338 for the corresponding period in the previous fiscal year.

The Company estimates that it will have to invest an additional amount of about \$60,000 in fixed assets over the next three months of fiscal 2007 to sustain growth. The Company expects to finance most of these potential acquisitions.

It should also be noted that on April 11, 2007 the Company signed a letter of intent aimed at acquiring all of the outstanding shares of its competitor, Corzen Inc. Under the agreement, Wanted will have to pay US\$2M on the closing date and issue 1,750,000 common shares of its capital. Wanted intends to finance this transaction without any additional dilution of shares. The closing date for the transaction is scheduled for June 15, 2007. As of today, the transaction is still subject to due diligence.

## Financial Situation

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### Assets

As at March 31, 2007, Wanted had \$2,107,267 in cash and short-term investments, compared to \$1,804,271 on June 30, 2006.

As at March 31, 2007, short-term assets totalled \$2,676,002, compared to \$2,242,285 on June 30, 2006. This increase of \$433,717 is mainly due to the increase in cash and to receivable tax credits.

As at March 31, 2007, fixed assets and software assets totalled \$498,337, 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 March 31, 2007, total assets were \$3,174,339, compared to \$2,580,209 on June 30, 2006, an increase of \$594,130. As previously mentioned, this increase is primarily due to an increase in cash, receivable tax credits, and investments in computer equipment.

### Liabilities

As at March 31, 2007, total assets were \$848,645, compared to \$538,720 on June 30, 2006, an increase of \$309,925. This increase is primarily due to the debts incurred to finance the purchase of computer equipment as well as the increase in accounts payable and accrued liabilities and of deferred revenue.

### Contractual obligations

	Required payments, by period			
	Total	Less than one year	2 to 3 years	4 to 5 years
	\$	\$	\$	\$
Long-term debt	164,323	110,125	54,198	-
Convertible debenture	200,000	-	200,000	-
Use of office space	186,640	64,040	98,080	24,520
Equipment rental	39,227	39,227	-	-

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 March 31, 2007, the Company had 20,687,672 Class "A" shares, 1,430,000 stock options, and 1,350,321 outstanding warrants.

## **Subsequent events**

On April 11, 2007 the Company signed a letter of intent aimed at acquiring all of the outstanding shares of its competitor, Corzen Inc. The letter stipulates that WANTED will pay US\$2 million and issue 1,750,000 common shares to Corzen shareholders, subject to certain conditions, which represents 8.5% of WANTED's common shares currently outstanding. The final terms of the transaction will be disclosed when the transaction is completed, which is scheduled for June 15, 2007. Wanted intends to finance this transaction without any additional dilution of shares.

## **Significant Accounting Policies**

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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**

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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 March 31, 2007, 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**

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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.

Risks related to the transaction and the transition of Corzen inc.'s activities

History of recent losses

Competition

Length of sales cycle

Economy

Credit risk

Exchange risk

## **Perspectives**

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Wanted attained a major milestone during the first nine months of fiscal 2007, when it became profitable. Furthermore, increased sales are essential to making the Company more profitable and sustaining its growth. The acquisition of its competitor Corzen should allow the Company to increase its sales by about 50% given the results recorded during the third quarter ended March 31, 2007. To continue carrying out its growth strategy, Wanted intends to hire new personnel that would be in charge of product marketing and sales as well as product research and development.

## **Prospective Statements**

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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**

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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  
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