



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

**FIRST QUARTER OF 2008**

**ENDED SEPTEMBER 30, 2007**

# WANTED TECHNOLOGIES CORPORATION

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

### Introduction

The following analysis concerns the consolidated financial situation, operating results and cash flow of Wanted Technologies Corporation (“Wanted” or the “Company”) for the quarter ended September 30, 2007, as compared to the quarter ended September 30, 2006. This management report, prepared as at November 28, 2007, should be read in conjunction with the unaudited consolidated financial statements and associated notes for the first quarter of fiscal 2008 ended September 30, 2007, along with the annual audited consolidated financial statements for the fiscal year ended June 30, 2007.

**The unaudited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) 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 Technologies Corporation is a leading provider of real-time sales and business intelligence solutions for the recruitment and media classified industries. Wanted’s proprietary technology and services deliver enriched market research and customer information, helping Wanted’s client’s to optimize their advertizing sales performance.

### Q1 – 2008 Highlights

- **Revenue growth of 121% for the first quarter of fiscal 2008 compared with the same quarter of fiscal 2007.**
- **Fifth consecutive profitable quarter, achieving net earnings of \$113,404 or 7.8% of revenues, compared to net earnings of \$15,834 or 2,4% of revenues for the same quarter of fiscal 2007.**
- **Arrival of Scott E. Burton as President and Chief executive officer.**
- **Focus on the integration of Corzen Inc. acquired on June 30, 2007. Corzen, based in New York, is a leader in online classified ad data analysis and compilation for clients in the media, finance and staffing services sectors.**

### Key Performance Indicators

Wanted assesses the overall performance of the Company based on key financial indicators, including revenues and EBITDA\* before other items 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)	<b>Q1 - 2008</b>	<b>Q1 - 2007</b>
	<b>30-9-2007</b>	<b>30-9-2006</b>
	\$	\$
Revenues	1,447,989	656,345
EBITDA* before other items	372,963	52,694
Net earnings	113,404	15,834
Net earnings per share (basic and diluted)	0.005	0.001
Total assets	5,574,206	2,800,538
Long-term liabilities	618,194	723,215

\* Definition of EBITDA: Earnings (loss) before interest, tax on earnings, depreciation, amortization and loss in value of physical assets. The EBITDA is provided as an additional measure to help readers assess the Company's ability to generate cash flow from its activities and to meet its financial obligations. This indicator is also generally used for valuation purposes. As the generally accepted accounting principles in Canada do not provide a standardized definition for this measure, it may not be comparable to similar measures used by other companies.

## Operating Results

### Revenues

In the first quarter of fiscal 2008, the Company's revenues totalled \$1,447,989, compared to \$656,345 for the same quarter last year, an increase of \$791,644 or 121%. This significant growth in revenues is the result of joint marketing & selling the new WANTED-Corzen business solutions. These results reflect the newspaper market's appreciation for the new WANTED value proposition and marketplace leadership position for business and sales intelligence solutions.

Revenues in the first quarter of fiscal 2008 were impacted by the unfavorable fluctuation of the US dollar versus the Canadian dollar. The average exchange rate went from 1.1209 for the quarter ended September 30, 2006 to an average of 1.0449 for the quarter ended September 30, 2007. Approximately 95% of the revenues in the first quarter of fiscal 2008 were in US dollars compared to 88% for the corresponding quarter of fiscal 2007.

Wanted revenues are primarily derived from renewable annual contracts that generate recurring revenues for the Company. As at September 30, 2007, contracts in hand represented approximately 4.7 million dollars in annualized recurring revenues, while contracts in hand as at September 30, 2006 represented approximately 2.6 million dollars in annualized recurring revenues, for an increase of 81%. Note the concept of recurring annualized revenues assumes that all current customer contracts will be renewed as of the calculation date. The majority of Wanted customers contracts are 12-month agreements.

## **Research and development expenses**

Research and development costs, net of tax credits for a company established at the Centre national des nouvelles technologies de Québec (CNNTQ – Quebec Center for new technologies) and for research and development totalled \$405,777 for the first quarter of fiscal 2008, compared to \$200,724 for the same quarter of fiscal 2007, an increase of \$205,053 or 102%. The marked increase in these costs is mainly due to the hiring of new personnel and the integration of resources from Corzen Inc. dedicated to product upgrades. These new upgrades will include products for the recruitment and residential real estate markets, all of which, supported by a technology infrastructure appropriately tailored to the Corporation's growth plan.

In the first quarter of fiscal 2008, Wanted recorded \$59,137 in tax credits for a company established at the Centre national des nouvelles technologies de Québec (CNNTQ) and for research and development, compared to \$35,305 for the same quarter of fiscal 2007.

## **Marketing and selling expenses**

For the first quarter of fiscal 2008, marketing and selling expenses totalled \$383,079, compared to \$231,498 for the same quarter of fiscal 2007, an increase of \$151,581 or 65%. This increase is essentially due to marketing investments to support revenue growth, which led to the hiring of new personnel and greater participation in promotional activities over the last 12 months as well as the integration of resources from Corzen Inc. The hiring of new personnel allowed Wanted to strengthen its position in the market and to generate the growth to date. Wanted will continue to add to its sales and marketing team in fiscal 2008 in order to support its continuing growth plan.

## **General and Administrative expenses**

General and administrative expenses totalled \$328,930 for the first quarter of fiscal 2008, compared to \$204,372 for the corresponding quarter in the previous fiscal year, an increase of \$124,558 or 61%. This increase is mostly due to additional consulting and professional fees resulting from the acquisition of Corzen Inc. combined with an increase in the audit fees recorded in the first quarter of fiscal 2008.

## **Financial expenses**

For the first quarter of fiscal 2008, net financial expenses were \$23,454 compared to net financial revenues of \$576 for the same quarter of fiscal 2007. Net financial expenses mainly consist of interest income on short-term investments, interest expenses on long-term debt, and interest expenses on the convertible debenture. This variation is mainly due to a decrease of \$4,622 in interest income in the first quarter of fiscal 2008 compared to the same quarter of the previous year. This decrease in interest income is mainly due to a reduction of short term investments converted into liquidities and used for the Corzen Inc. acquisition on June 30, 2007. Interest expenses on long term debts increased by \$9,287 mainly due to the signature of a mortgage loan of \$750,000 in the first quarter of fiscal 2008 as well as additional financing related to the acquisition of equipment. The financial expenses also included for the first quarter of fiscal 2008 a financing fees of \$20,753 related to the new mortgage loan of \$750,000. According to the Company's accounting policy, these costs are fully expensed immediately. However, the conversion of the convertible debenture on July 23, 2007 contributed to a reduction of the financial expenses compared with the same quarter of fiscal 2007.

## **Earnings before other items**

For the first quarter of fiscal 2008, earnings before other items totalled \$254,437 compared to earnings before other items of \$20,327 for the first quarter of fiscal 2007, an increase of \$234,110. This significant increase is primarily due to the increase in the Company's revenues. This increase was partially offset by investments in marketing and product development designed to support the growth plan, plus expenses related to new financing. Earnings before other items were also affected negatively in the first quarter of fiscal 2008 by the amortization of the intangible assets acquired from Corzen Inc. on June 30, 2007 for an amount of \$52,312. No such charge was recorded in the same quarter of the prior year.

## **Net earnings**

Net earnings for the first quarter of fiscal 2008 totalled \$113,404, compared to \$15,834 for the same quarter of fiscal 2007, an increase of \$97,570. This increase is essentially due to the following factors:

- Revenue growth of 121%, or \$791,644, compensated partially by an increase of 88%, or \$557,534, in operating expenses, as a net result, increasing the earnings before other items from \$20,327 for the first quarter of fiscal 2007 to \$254,437 for the first quarter fiscal 2008;
- Currency exchange loss totalled \$34,028 for the first quarter of fiscal 2008 compared with \$4,493 for the same quarter last year, an increase of \$29,535; and,
- For the first quarter of fiscal 2008, \$107,005 was recorded as stock-based compensation with respect to options issued on February 6, 2006, March 20, 2006 and July 4, 2007. No such charge was recorded in the same quarter of fiscal 2007.

Net earnings per share for the first quarter of fiscal 2008 was \$0.005, compared to \$0.001 for the corresponding period in fiscal 2007.

## Main Quarterly Financial Data

(In Canadian dollars)	Second Quarter \$	Third Quarter \$	Fourth Quarter \$	First Quarter \$
Quarter ended	31-12-2006	31-3-2007	30-6-2007	30-9-2007
Revenues	758,643	843,064	835,063	1,447,989
EBITDA* before other items	137,199	184,318	248,997	372,963
Net earnings	75,546	125,623	12,914	113,404
Net earnings per share (basic and diluted)	0.004	0.006	0.001	0.005
Quarter ended	31-12-2005	31-3-2006	30-6-2006	30-9-2006
Revenues	447,635	469,813	597,662	656,345
EBITDA* before other items	(2,594)	(146,066)	5,687	52,694
Net earnings (Net loss)	(28,640)	(196,952)	(51,802)	15,834
Net earnings (Net loss) per share (basic and diluted)	(0.001)	(0.010)	(0.003)	0.001

\* Definition of EBITDA: Earnings (loss) before interest, tax on earnings, depreciation, amortization and loss in value of physical assets. The EBITDA is provided as an additional measure to help readers assess the Company's ability to generate cash flow from its activities and to meet its financial obligations. This indicator is also generally used for valuation purposes. As the generally accepted accounting principles in Canada do not provide a standardized definition for this measure, it may not be comparable to similar measures used by other companies.

## Cash Flow

As at September 30, 2007, the cash position totalled \$344,599, compared to \$120,436 at the beginning of the fiscal year.

### Operating activities

During the first quarter of fiscal 2008, operating activities generated \$103,242, compared to the first quarter of fiscal 2007 where the Company used \$24,229 in the operating activities, a favorable variation of \$127,471. This variation is largely due to fluctuations in the following items:

- Improvement in the Company's profitability by \$97,570 (net earnings of \$113,404 in the first quarter of fiscal 2008 compared to net earnings of \$15,834 in the first quarter of fiscal 2007);
- Amortization expenses for property, plant and equipment totalling \$42,760 for the first quarter of fiscal 2008 compared with \$32,943 for the first quarter of fiscal 2007, an increase of \$9,817;

- Amortization of intangible assets acquired from Corzen Inc. on June 30, 2007 resulting in an expense of \$52,312 for the first quarter of fiscal 2008. No such expenses were recorded during the first quarter of fiscal 2007;
- Stock-based compensation totalling \$107,005 for the first quarter of fiscal 2008. No such charge was recorded in the corresponding quarter of the previous year; and,
- A negative increase in the changes in working capital items of \$135,233 compared with the corresponding quarter for the previous fiscal year. This variance is mainly due to a decrease in accounts payable and accrued liabilities as of September 30, 2007.

## **Investing activities**

For the first quarter of fiscal 2008, investing activities used \$568,985 in cash, while generating \$2,181 for the corresponding quarter of fiscal 2007, a variation of \$571,166. This difference is essentially due to:

- Short-term investments of \$385,000 in the first quarter of fiscal 2008. No liquidity was invested in short term investments in the corresponding quarter of the prior year; and,
- Disbursements in the amount of \$179,680 related to costs incurred for the acquisition of Corzen Inc. These unpaid costs were presented in the accounts payable and accrued liabilities as at June 30, 2007.

## **Financing activities**

Cash flow generated by financing activities totalled \$689,906 for the first quarter of fiscal 2008, compared with \$5,811 for the first quarter of fiscal 2007, an increase of \$684,095. This variation is largely due to a mortgage loan of \$750,000 obtained in the first quarter of fiscal 2008, while there was no such financing in the first quarter of the prior year. Also, during the first quarter of fiscal 2008, \$60,094 in liquidities was used for the repayment of loans compared to \$14,189 in the same quarter of last year, an increase of \$45,905. Finally, the Company received \$20,000 in liquidity during the first quarter of fiscal 2007 following the exercise of stock options.

For the first quarter of fiscal 2008, the net increase in the cash position was \$224,163, compared to a net decrease of \$16,237 for the corresponding quarter of fiscal 2007, a favorable variance of \$240,400.

## **Financial Situation**

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### **Assets**

As at September 30, 2007, Wanted had \$1,254,394 in cash and short-term investments compared to \$645,231 on June 30, 2007, an increase \$609,163. This increase is mainly due to the long-term financing obtained in the first quarter of fiscal 2008 in the amount of \$750,000. This increase was however partially offset by the payment of accounts payable and accrued liabilities related to the acquisition of Corzen Inc.

As at September 30, 2007, short-term assets totalled \$2,323,998, compared to \$1,694,387 on June 30, 2007. This increase of \$629,611 is mainly due to the increase in cash and short term investments.

As at September 30, 2007, property, plant and equipment totalled \$533,138, compared to \$540,831 on June 30, 2007, a decrease of \$7,693. This slight decrease is mainly due to the amortization of these assets for an amount of \$42,760 that was partially offset by the acquisition of \$35,067 in computer equipment to support growth and to improve customer service.

As at September 30, 2007, intangible assets stood at \$1,309,269 compared to \$1,361,581 as of June 30, 2007. This decrease is attributable to the recording of an amortization expense of \$52,312 during the first quarter of fiscal 2008.

As at September 30, 2007, total assets were \$5,574,206, compared to \$5,004,600 on June 30, 2007, an increase of \$569,606. As mentioned above, this increase is essentially due to the increase in the cash position and short term investments.

## Liabilities

As at September 30, 2007, total liabilities were \$1,724,128, compared with \$1,566,414 on June 30, 2007, an increase of \$157,714. The increase is mostly explained by the following factors:

- A decrease of \$283,678 in accounts payable and accrued liabilities, which totalled \$647,034 as at September 30, 2007, compared with \$930,712 as at June 30, 2007. This decrease is primarily due to payment of costs related to the acquisition of Corzen Inc.;
- A \$87,793 decrease in deferred revenues as at September 30, 2007 compared to June 30, 2007;
- An increase in long-term debt (including short-term instalments) of \$720,668 for a total of \$864,607 as at September 30, 2007, compared with \$143,939 as of June 30, 2007. This increase is mainly due a mortgage loan of \$750,000 obtained in the first quarter of fiscal 2008; and,
- The conversion in total of the convertible debenture held by Innovatech Quebec on July 23, 2007, resulting in a decrease of \$191,483 in liabilities. The conversion increased the total number of Class "A" shares by 333,333 and increased the value of the capital stock by \$226,283.

## Contractual obligations

### Required payments, by period

	Total \$	Less than 1 year \$	2 to 3 years \$	4 to 5 years \$
<b>(In Canadian dollars)</b>				
Long-term debt	864,607	246,413	313,956	304,238
Use of office space	282,014	99,838	182,176	-
Equipment rental	11,053	11,053	-	-
<b>(In American dollars)</b>				
Purchases of data and information	83,351	83,351	-	-

## Shareholders' equity

### Capital stock

Authorized capital stock is distributed as follows:

- Unlimited number of class "A" non-par value, voting and participating shares.
- Unlimited number of class "B" non-par value, non-voting and non-participating shares, issued by series, where the terms and conditions of each series are determined on the issue date.

Issued and fully paid	September 30, 2007	June 30, 2007
	\$	\$
23,787,993 class A shares as at June 30, 2007		10,510,300
24,121,326 class A shares as at September 30, 2007	10,736,583	

As at September 30, 2007, shareholders' equity totalled \$3,850,078 compared with shareholders' equity of \$3,438,186 as at June 30, 2007. This increase of \$411,892 in the Company's shareholders' equity is mainly due to:

- A \$226,283 increase in capital stock resulting from the conversion in total of the convertible debenture held by Innovatech Quebec;
- A decrease of \$34,800 in the equity component of the convertible debenture following its conversion;
- An increase of \$85,113 in the value assigned to stock options. This increase is due to the recording of an expense of \$107,005 partially offset by the cancellation of 200 000 stock options having a value of \$21,892;
- A \$21,892 increase in the amounts recorded to the contributed surplus subsequent to the cancellation of 200 000 stock options; and,
- A reduction in the accumulated deficit subsequent to net earnings of \$113,404 for the first quarter of fiscal 2008.

Upon the closing of the qualifying transaction on September 20, 2005, 10,593,284 class "A" shares were escrowed and could not be transferred, hypothecated, pledged or otherwise disposed of without the authorization of the regulatory authorities. These shares are being released in stages over a period not exceeding 36 months beginning on September 20, 2005. As at September 30, 2007, 3,221,316 of these shares were still escrowed.

### Stock options

Each stock option entitles the bearer to acquire one class "A" share of capital stock.

Quantity	September 30, 2007	June 30, 2007
Stock options	1,915,000	1,430,000

Additional information on this item can be found in note 13 of the Company's consolidated unaudited financial statements for the quarter ended September 30, 2007.

On July 4<sup>th</sup>, 2007, the Company issued 685,000 stock options to directors and officers of the company. On October 18, 2007, an additional 125 000 stock options were issued to an officer of the company. The exercise price of all these new stock options is 0.76\$ per share.

## **Significant Accounting Policies**

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The Company's unaudited 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, evaluation of certain accrued liabilities and evaluation of receivable tax credits for a company established at the Centre national des nouvelles technologies de Québec (CNNTQ) and for research and development. Though actual results may differ from these estimates, management does not consider that they will differ significantly from the announced results.

### **Financial instruments**

Starting on July 1, 2007, in accordance with applicable transitional provisions, the Company retroactively adopted without restatement of prior period financial statements the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook - Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*. The new recommendation describes standards for the classification, recognition, measurement, disclosure and presentation of financial instruments (including derivatives) and non-financial derivatives in the financial statements. The adoption of these new standards resulted in some changes in the classification and measurement of the Company's financial instruments, previously recorded at cost. The details of these changes and their impact on the financial statements are described in note 2 of the unaudited consolidated financial statements.

The Company also adopted as an accounting policy to record the transaction costs related to other financial liabilities immediately in the statement of earnings. These costs are presented with the financial expenses.

## **Information Communication Controls and Procedures**

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In accordance with *Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings*, the Wanted Technologies information disclosure controls and procedures have been evaluated. Based on this evaluation, the President and Chief Executive Officer and Vice President Finance and Chief Financial Officer, have concluded that the disclosure controls and procedures were effective at the end of the period ended September 30, 2007 and, more specifically, that the design of said controls and procedures provides a reasonable assurance that material information pertaining to Wanted Technologies Corporation, including its consolidated subsidiary, is communicated to them by others within these entities, particularly during the period in which the annual documents are produced.

Internal control over financial information is intended to provide a reasonable assurance as to the reliability of the Company's financial information and the preparation of the financial statements in

accordance with Canadian GAAP. The President and Chief Executive Officer and Vice President Finance and Chief Financial Officer, have carried out an assessment to determine whether, during the quarter ended September 30, 2007, the Company made changes to the internal control mechanism which had or may have had a material impact on it. Their evaluation identified no such change.

## **Risks and Uncertainties**

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### **History of recent losses**

The Company experienced operating losses during the previous years. Although the Company has generated net earnings for the last five consecutive quarters, the Company's ability to meet its obligations by the established due dates and to finance its future activities depends on its ability to reach a level of profitability or on the support of shareholders and creditors. These financial statements were prepared based on the continuity of operations assumption.

### **Competition**

The Company is pursuing its growth in a relatively new and competitive field. New players, new alliances and new technological solutions may very well emerge in this market. In order to maintain its competitive edge, the Company must retain its key employees and continue to invest in research and development.

Wanted provides state-of-the-art products. However, nothing can guarantee the speed with which clients will embrace these products. Though the Company has proven that its products can meet the needs of the recruitment media market, such as newspapers and electronic bulletin boards, it is difficult to assess the precise potential of these solutions for other targeted markets.

### **Dependence on a single client**

For the first quarter of fiscal 2008, revenues generated by Wanted's largest client represented \$105,659 or approximately 7% (16% in the first quarter of fiscal 2007), of Wanted's total revenues. Therefore, a reduction of the activity level with this client could have a negative impact on Wanted revenues.

### **Economy**

Adverse changes in the economy, both in Canada and the United States, could have a negative impact on Wanted financial results.

### **Credit risk**

The financial instruments that could expose the company to a credit concentration risk mainly include: cash, obligations, term deposits, bonds and accounts receivable. Cash, obligations, term deposits and bonds are held by top-rated financial institutions. Consequently, management believes that the risk of non-performance associated with these instruments is very low.

There is no specific concentration of the credit risk. Generally speaking, in terms of accounts receivable, the Company does not require additional guarantees from its clients. However, credit is granted to clients only following an assessment of their solvency. The Company reassesses the credit of its clients on an

ongoing basis and, should an account be deemed irrecoverable, a bad debt provision would then be established.

## **Exchange risk**

Due to its U.S. revenues and the accounts receivable associated with these revenues, the Company is exposed to exchange risk. The vast majority (95%) of the Company's revenues are in US dollars.

The Company feels that it vigorously monitors these risks and uncertainties. It invests in research and development with the aim to ensure constant product improvement and development. Wanted continually monitors the competitive market environment.

## **Outlook**

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The integration of the commercial activities and products of Corzen, Inc., acquired on June 30, 2007, should be completed by the end of this calendar year. This important step should enable Wanted to accelerate its growth strategy and maximize value for its shareholders. To reach this goal, Wanted plans to recruit new employees in product management, marketing and sales.

As previously mentioned, Wanted's revenues primarily come from renewable annual contracts, while Corzen's revenues primarily come from renewable contracts covering various durations. Both generate recurring revenues for the Company. Based on all of the contracts with current clients and the renewal of these contracts over the next 12 months, Wanted has, as at the date of this report, contracts representing annualized recurring revenues of approximately 4.7 million dollars.

## **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 revise these prospective statements on the basis of new information, future events, etc.

## **Further information**

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The Company is an issuer under the legislation governing securities. Consequently, the Company 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).

Martin Auclair, CA  
VP Finance and Chief Financial Officer