

Wanted Technologies Corporation

Financial Statements as at June 30, 2006 and 2005

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Auditors' Report

To the shareholders of
Wanted Technologies Corporation

We have audited the balance sheets of Wanted Technologies Corporation as at June 30, 2006 and 2005 and the statements of earnings, deficit, contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

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August 18, 2006

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Wanted Technologies Corporation

Earnings

Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	\$	\$
Revenues	1,909,295	1,467,413
Expenses		
Research and development, net of tax credits	506,395	274,573
Marketing and selling	769,693	476,881
General and administrative	756,692	480,230
Financial, net amount	<u>17,609</u>	<u>97,727</u>
	<u>2,050,389</u>	<u>1,329,411</u>
Earnings (loss) before other items	(141,094)	138,002
Other items:		
Exchange loss	(43,561)	(29,955)
Stock-based compensation	(345,935)	
Dividends on Class "C" shares	<u>(141,251)</u>	<u>(606,097)</u>
Net loss	<u><u>(671,841)</u></u>	<u><u>(498,050)</u></u>
Basic and diluted net loss per share	(0.037)	(0.050)
Weighted average number of shares outstanding	18,105,927	10,000,000

The accompanying notes are an integral part of the financial statements and Note 5 provides additional information on earnings.

Wanted Technologies Corporation
Deficit
Contributed Surplus

Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	\$	\$
DEFICIT		
Restated balance, beginning of year (Note 3)	7,832,896	7,334,846
Net loss	671,841	498,050
Share issue expenses	<u>605,758</u>	
Balance, end of year	<u><u>9,110,495</u></u>	<u><u>7,832,896</u></u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	173,682	
Gain on waiver of dividends (Note 2)	1,408,595	
Options cancelled	7,286	
Changes in accounting policies (Note 3)		<u>173,682</u>
Balance, end of year	<u><u>1,589,563</u></u>	<u><u>173,682</u></u>

The accompanying notes are an integral part of the financial statements.

Wanted Technologies Corporation

Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Net loss	(671,841)	(498,050)
Non-cash items		
Amortization of property, plant and equipment	92,196	67,573
Amortization of software	3,598	5,082
Dividends on Class "C" shares	141,251	606,097
Stock-based compensation	345,935	
Interest on convertible debenture	10,283	
Changes in working capital items (Note 6)	112,645	36,098
Cash flows from operating activities	<u>34,067</u>	<u>216,800</u>
INVESTING ACTIVITIES		
Property, plant and equipment	(235,115)	(63,777)
Disposal of property, plant and equipment	1,875	
Software	(268)	
Corporate liquidity funds	799,223	
Short-term investments	(1,700,000)	
Cash flows from investing activities	<u>(1,134,285)</u>	<u>(63,777)</u>
FINANCING ACTIVITIES		
Long-term loan		43,200
Repayment of loans	(31,060)	(57,093)
Convertible debenture	200,000	10,000
Issuance of shares	1,131,100	
Share issue expenses	(335,538)	
Reverse takeover and merger (Note 2)	14,822	
Cash flows from financing activities	<u>979,324</u>	<u>(3,893)</u>
Net increase (decrease) in cash	<u>(120,894)</u>	<u>149,130</u>
Cash, beginning of year	<u>225,166</u>	<u>76,036</u>
Cash, end of year	<u>104,271</u>	<u>225,166</u>

The accompanying notes are an integral part of the financial statements.

Wanted Technologies Corporation

Balance Sheets

as at June 30, 2006 and 2005

	2006	2005
	\$	\$
ASSETS		
Current assets		
Cash	104,271	225,166
Short-term investments (Note 7)	1,700,000	
Trade accounts receivable and other receivables	254,506	320,706
Tax credits for a company registered at CNNTQ and for research and development receivable	125,886	85,977
Prepaid expenses	57,622	35,772
	<u>2,242,285</u>	<u>667,621</u>
Property, plant and equipment (Note 8)	329,395	232,407
Software (Note 9)	8,529	11,859
Deferred expenses		139,452
	<u>2,580,209</u>	<u>1,051,339</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	276,766	605,300
Convertible notes payable (Note 2)		275,000
Convertible loans (Note 2)		235,000
Dividends payable		1,570,494
Deferred revenue	56,177	64,952
Current portion of long-term debt	30,294	31,060
Class "C" shares (Notes 2 and 13)		2,791,667
	<u>363,237</u>	<u>5,573,473</u>
Convertible debenture (Notes 2 and 11)	175,483	
Long-term debt (Note 12)		30,294
Class "C" shares (Notes 2 and 13)		2,104,518
	<u>538,720</u>	<u>7,708,285</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	9,090,446	1,002,268
Equity component of the convertible debenture (Note 11)	34,800	
Warrants (Notes 2 and 14)	303,150	
Stock options (Note 15)	134,025	
Contributed surplus (Note 2)	1,589,563	173,682
Deficit	(9,110,495)	(7,832,896)
	<u>2,041,489</u>	<u>(6,656,946)</u>
	<u>2,580,209</u>	<u>1,051,339</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Jan Oosterwaal
Chairman of the Board

David Tanguay
President and Chief Executive Officer

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act, provides access to various data bases that it updates regularly.

2- REVERSE TAKEOVER AND MERGER

2 (a) Reorganization

As at September 20, 2005, Wanted Technologies inc. finished conversion of all of the following into class "A" shares:

- i) \$275,000 of convertible notes.
- ii) \$235,000 of convertible loans.
- iii) \$176,607 in accrued interest on the convertible notes and loans.
- iv) \$303,600 in outstanding and unpaid compensation and directors' fees.
- v) 31,780,743 class "C" shares with a stated capital of \$4,896,185.

In connection with the conversion of the class "C" shares into class "A" shares of Wanted Technologies inc., the shareholders waived the accrued and unpaid dividends on the conversion date. As consideration, certain shareholders as Société Innovatech Québec and Desjardins Venture Capital inc. received 1,350,321 warrants to acquire 1,350,321 class "A" shares of the Company at a price of \$0.40 per share. These warrants, which may be exercised at any time during the 24-month period starting on the closing date, have been valued at \$303,150, which was recorded in the warrants account. A \$1,408,595 gain on the waiver of dividends was recorded in the contributed surplus account.

In addition, all stock options and warrants granted by Wanted Technologies inc. were cancelled before the transaction closing date.

2 (b) Reverse takeover

On September 20, 2005, Corporation Pamérica acquired 7,041,898 shares of Wanted Technologies inc. for 605,193 class "A" treasury shares.

Corporation Pamérica and Wanted Technologies inc. then merged. Immediately after the merger, the shareholders of Wanted Technologies inc. acquired control of the merged entity, Wanted Technologies Corporation.

The share acquisition and merger were recorded as a reverse takeover, in accordance with Canadian generally accepted accounting principles as though Wanted Technologies inc. had acquired Corporation Pamérica.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

2 - REVERSE TAKEOVER AND MERGER (Continued)

Since, for accounting purposes, the shareholders of Wanted Technologies inc. are considered the buyer, the net assets of Corporation Pamérica were recorded on the balance sheet at the carrying amount, as follows:

	\$
Assets acquired	
Cash	14,822
Corporate liquidity funds	799,223
Accounts receivable	108,653
Prepaid expenses	1,928
Deferred expenses related to the transaction	50,000
	<u>974,626</u>
Liabilities assumed	
Accounts payable and accrued liabilities	75,184
Net assets acquired at market value	<u><u>899,442</u></u>
Consideration	
7,000,000 class "A" shares	806,922
1,200,000 stock options at fair value	92,520
	<u><u>899,442</u></u>

The shareholders of Wanted Technologies inc. received a total of 9,370,729 class "A" shares of the merged entity for the shares they held in Wanted Technologies inc.

The shareholders of Corporation Pamérica received a total of 7,605,193 class "A" shares of the merged entity for the shares they held in Corporation Pamérica.

The 1,200,000 stock options of Corporation Pamérica were exchanged for 1,200,000 stock options of the merged entity. The terms and conditions of these stock options are unchanged.

2 (c) Public Offering

On September 20, 2005, the Company completed its eligible transaction and closed a public offering in Quebec for a total of 2,625,000 class "A" shares at a price of \$0.40 per share for total gross proceeds of \$1,050,000. The underwriter's commission of \$60,000 and the transaction costs of \$118,196 were added to the deficit.

In addition, the Company issued 262,500 options to the underwriter for the acquisition of 262,500 class "A" shares at a price of \$0.40 per share. These options may be exercised at any time, expire in September 2006 and were valued at \$37,720, which was added to the deficit and stock options.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

2 - REVERSE TAKEOVER AND MERGER (Continued)

3 (d) Expenses related to the share acquisition, merger and reverse takeover

At the time of the reverse takeover, \$232,500 was paid as solicitation fees. These fees were paid through the issuance of 581,250 class "A" shares valued at \$0.40 each.

In addition, legal and accounting fees of \$157,342 relating to the transactions were paid in cash and added to the deficit.

3 - CHANGES IN 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 Mandatorily Redeemable Shares, which in particular, provides guidance on circumstances where it is possible to classify retractable or mandatorily 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.

The Company has adopted these new standards retroactively, which resulted in an increase (decrease) in the following financial statement items:

	<u>June 30, 2005</u>
	\$
Balance sheet	
Liabilities	
Class "C" shares	933,830
Equity	
Equity component of convertible loans	
convertible notes payable and	
Class "C" shares	(807,525)
Contributed surplus	(190,726)
Deficit	(64,421)
Earnings	
Dividends on the equity component of	
Class "C" shares	46,753
Net loss	46,753
Statement of deficit	
Dividends on the equity component of	
Class "C" shares	(46,753)

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

3 - CHANGES IN ACCOUNTING POLICIES (continued)

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 an increase of \$173,682 of contributed surplus and deficit.

4 - ACCOUNTING POLICIES

Accounting estimates

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 and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and investments maturing in less than three months from the acquisition date.

Revenue recognition

The Company recognizes revenue as services are rendered, when there is persuasive evidence of an arrangement and recovery is reasonably assured. Revenue from database access contracts is recognized linearly over the duration of the contracts. Deferred income represents cashed amounts that do not fulfill the income recognition criteria.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year.

Amortization

Property, plant and equipment and software are amortized over their estimated useful lives according to the diminishing balance method at the following annual rates:

	<u>Rates</u>
Furniture and equipment	20%
Computer equipment and software	30%

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

4 - ACCOUNTING POLICIES (continued)

Deferred expenses

Deferred expenses as of June 30, 2005 were composed of professional fees incurred as part of the transaction described in Note 2.

Share issue expenses

Share issue expenses are recognized in the statement of deficit.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and expenses in foreign currency are translated at the average monthly rate in effect at the time of the transactions. Gains and losses are included in earnings for the year.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company recognizes future income tax assets only when it is more likely than not that some or all the future income tax assets will be realized.

Research and development costs and tax credits for a company registered at the Centre National des Nouvelles Technologies de Québec (CNNTQ) and for research and development

Research and development costs are expensed as they are incurred. However, development costs are deferred when they meet the generally accepted criteria to the extent that their recovery can reasonably be regarded as assured.

Tax credits for a company registered at CNNTQ and for research and development are applied against research and development costs during the year in which the costs are incurred, provided that the Company is reasonably certain that the credits will be received. These tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Stock-option plan

The company provides a stock option plan, which is described in Note 15. A stock-based compensation expense is recognized with respect to this plan when stock options are issued. Any consideration paid when exercising stock options and any amount in stock options related to these options are credited to capital stock. When stock options are cancelled, any amount recorded in stock options related to these options is credited to contributed surplus.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

4 - ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue shares were exercised at the later of the beginning of the year or the issuance date. The treasury stock method is used to determine the dilutive effect of stock options and warrants. The "if-converted" method is used to determine the dilutive effect of convertible debentures.

The warrants and the stock options described in notes 14 and 15 and the convertible debenture were not included in the computations of diluted earnings per share for the years ended on June 30, 2006 and 2005 because the Company reported losses and the inclusion of the securities would be anti-dilutive.

5 - INFORMATION INCLUDED IN THE STATEMENT OF EARNINGS

	2006	2005
	\$	\$
Research and development expenses	599,836	383,252
Tax credits for a company registered at CNNTQ and for research and development	93,441	108,679
Amortization of property, plant and equipment	92,196	67,573
Amortization of software	3,598	5,082
Government subsidies	29,750	10,000
Financial, net amount		
Interest on long-term debt	923	5,212
Interest on convertible notes payable and loans	46,923	86,585
Other financial expenses	13,523	10,694
	<u>61,369</u>	<u>102,491</u>
Less: Interest income	43,760	4,764
	<u>17,609</u>	<u>97,727</u>

Revenue generated from the Company's most important client represents approximately 16% during the year ended as at June 30, 2006 (2% as at June 30, 2005).

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

6 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

Changes in working capital items are as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Accounts receivable	174,853	(198,115)
Tax credits for a company registered at CNNTQ and for research and development receivable	(39,909)	73,056
Prepaid expenses	(19,922)	(318)
Accounts payable and accrued liabilities	6,398	181,652
Deferred revenue	<u>(8,775)</u>	<u>(20,177)</u>
	<u>112,645</u>	<u>36,098</u>

During the year ended as at June 30, 2005, the Company settled a long-term debt of \$70,740 from the balance of commodity taxes receivable and investment tax credits.

As at June 30, 2006, there was no accounts payable and accrued liabilities regarding purchases of property, plant and equipment and deferred expenses (\$44,056 and \$139,452 as at June 30, 2005 respectively).

Cash flows from interest on operating activities are as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Interest paid	14,509	5,020

7 - SHORT-TERM INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Bonds, 4.22% to 4.54%, maturing in December 2006 and June 2007, at cost (market value \$1,492,858)	1,500,000	
Term deposit, 4.25%, maturing in June 2007	<u>200,000</u>	
	<u>1,700,000</u>	<u>-</u>

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

8 - PROPERTY, PLANT AND EQUIPMENT

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and equipment	143,077	93,523	49,554
Computer equipment	802,756	522,915	279,841
	<u>945,833</u>	<u>616,438</u>	<u>329,395</u>
	2005		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and equipment	140,287	81,317	58,970
Computer equipment	616,362	442,925	173,437
	<u>756,649</u>	<u>524,242</u>	<u>232,407</u>

9 - SOFTWARE

	2006	2005
	\$	\$
Cost	78,433	78,165
Accumulated amortization	<u>69,904</u>	<u>66,306</u>
	<u>8,529</u>	<u>11,859</u>

10 - BANK LOAN

The bank loan for an authorized amount of \$40,000 is secured by book debts, bears interest at the prime rate plus 3% (9%), (prime rate plus 3% (7.25%) as at June 30, 2005) and is renegotiable in October 2006.

11 - CONVERTIBLE DEBENTURE

On September 20, 2005, the Company issued a convertible debenture to Société Innovatech Québec for \$200,000 in cash. This convertible debenture matures in September 2008 and bears interest at 10% annually. This debenture is convertible into class "A" shares on the basis of one Class "A" share of the Company for each \$0.60 in capital of the debenture until its maturity. Interest is payable quarterly.

The debenture is presented in its components. The liability component, representing the obligation to make interest payments at a rate equivalent to that on a non-convertible loan with similar terms and risks (18%), is presented under liabilities and the equity component, representing the holder's conversion option and the settlement option for shares held by the Company is presented under shareholders' equity.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

12 - LONG-TERM DEBT

	<u>Current</u>	<u>2006</u> \$	<u>2005</u> \$
Refundable contribution under the Innovation Program, Développement de l'Entrepreneurship et Exportation for SMEs, without interest, payable in annual instalments of \$27,150, maturing in January 2007	27,150	27,150	54,647
Note payable, secured by computer equipment, 17.99%, payable in monthly instalments of \$374, principal and interest, maturing in March 2007	<u>3,144</u>	<u>3,144</u>	<u>6,707</u>
		30,294	61,354
Instalments due within one year	30,294	<u>30,294</u>	<u>31,060</u>
		-	<u>30,294</u>
		<u>-</u>	<u>30,294</u>

13 - CLASS "C" SHARES

	<u>2006</u> \$	<u>2005</u> \$
Issued and fully paid		
31,780,743 Class "C" shares		4,896,185
Current portion		<u>2,791,667</u>
	-	<u>2,104,518</u>

Class "C", voting, non-participating shares, annual cumulative dividend of 13% of the redemption value, starting in the 19th month following the issuance of these shares redeemable or retractable at the paid-up capital amount as of the 4th anniversary of their issuance, exchangeable for Class "A" shares on a share-for-share basis, between the share issuance date and the 4th anniversary date.

As described in Note 2, these shares were converted into class "A" shares during the period.

14 - CAPITAL STOCK

Following the filing of articles of amalgamation, the Company's capital stock is as follows:

Authorized

Unlimited number of class "A" shares, voting and participating, without par value

Unlimited number of class "B" shares, non voting, non participating, issuable in series, term of each series determined by the time of issuance, without par value

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

14 - CAPITAL STOCK (continued)

Issued and fully paid

The following table illustrates changes in the capital stock of the Company subsequent to the reorganization, merger and reverse takeover.

	Number of shares	Amount
	<u> </u>	<u> </u>
Balance, as at June 30, 2005	15,480,490	1,002,268
Reorganization of Wanted Technologies inc. (Note 2(a))	100,877,353	5,886,392
Adjustment to reflect the reverse takeover	(116,357,843)	
Reverse takeover (Note 2(b))	<u>16,975,922</u>	<u>806,922</u>
	<u>16,975,922</u>	<u>7,695,582</u>
Public share issue (Note 2 (c))	2,625,000	1,050,000
Shares issued for solicitation fees (Note 2(d))	581,250	232,500
Share issuance following exercise of options	<u>405,500</u>	<u>112,364</u>
Balance, as at June 30, 2006	<u><u>20,587,672</u></u>	<u><u>9,090,446</u></u>

As at June 30, 2006, 1,350,321 warrants were outstanding (nil as at June 30, 2005). Each warrant allows the holder to purchase one Class "A" share at a price of \$0.40 per share. These warrants, which may be exercised at any time during the 24-month period starting on the closing date, have been valued at \$303,150 which was recorded in the warrants account.

The fair value of each warrant granted were estimated at the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions: expected volatility of 125%, risk-free interest rate of 2.9%, no expected dividends and expected life of 18 months. The weighted average fair value of the warrants granted during the year is \$0.2245.

15 - STOCK OPTION PLAN

Stock option plan

The Company has established a stock option plan for directors, executives, employees and consultants. All options granted under the plan may be exercised within a maximum of five years from the grant date. The Board of Directors will designate the beneficiaries and determine the number of common shares subject to the options, the vesting period, exercise price, expiration date, acquisition terms and restrictions on the exercise of the options. The stock acquisition price must not be less than 75% of the closing price on the day prior to the date of grant of these shares.

The maximum number of shares issued under the terms of the plan was established to 10% of the issued and outstanding shares of capital stock. The maximum number that may be granted to a director, officer and employee of the company shall not exceed 5% of all the outstanding stock options. As for a consultant the maximum shall not exceed 2%.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

15 - STOCK OPTION PLAN (continued)

Vesting occurs in stages, i.e., 20% upon granting and the remaining 80% vests gradually at 20% per annum over a period of 4 years. For underwriter, vesting is upon the signing of contracts.

The underwriter received options to subscribe to 762,500 class "A" shares of which 500,000 were given out by Corporation Pamerica before September 20, 2006 and 262,500 at the time of the transaction (Note 2c).

Outstanding options are detailed as follows:

	Number of options outstanding	Weighted average exercise price \$	Stock options \$
As at June 30, 2005			
Reverse takeover (Note 2)	1,200,000	0.20	92,520
Granted			
Underwriter	262,500	0.40	37,720
Directors and officers	1,300,000	0.40	42,335
Exercised	(405,500)	0.20	(31,264)
Cancelled	(94,500)	0.20	(7,286)
As at June 30, 2006	<u>2,262,500</u>	<u>0.34</u>	<u>134,025</u>

The characteristics of the outstanding stock options as at June 30, 2006 are as follows:

Outstanding and exercisable options			
Exercise Price \$	Number of options outstanding	Weighted average term	Number of options exercisable
0.20	700,000	9 months	700,000
0.40	1,562,500	47 months	522,500
	<u>2,262,500</u>		<u>1,222,500</u>

For the year ended June 30, 2006, the Company recorded stock-based compensation of \$42,335 for options awarded to employees.

The weighted average fair value of options granted during the year ended June 30, 2006 is \$0.0326 per option. The weighted average fair value of each option was determined on the award date using the Black-Scholes option pricing model. The determination was based on an expected volatility of 83%, a risk-free interest rate of 3.87%, expected life of fifty-two months and no expected dividend.

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Notes to Financial Statements

as at June 30, 2006 and 2005

16 - COMMITMENTS

The Company has entered into long-term lease agreements expiring in September 2007 and September 2010, which call for lease payments of \$245,920 for premises. Minimum lease payments for the next five years are \$79,040 in 2007, \$56,540 in 2008, \$49,040 in 2009, \$49,040 in 2010 and \$12,260 in 2011.

The Company has entered into long-term lease agreements expiring in November 2007 and February 2008, which call for lease payments of \$81,489 for equipment rental. Minimum lease payments for the next years are \$56,349 in 2007 and \$25,140 in 2008.

17 - INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial tax rate in Canada as a result of the following:

	2006	2005
	\$	\$
Net loss	(671,841)	(498,050)
Income taxes based on combined federal and provincial tax rates in Canada	30.90%	31.02%
	(207,599)	(154,495)
Increase in income taxes resulting from the following items:		
Dividends on Class "C" shares	43,647	188,011
Unrecognized future income tax assets	42,517	(40,775)
Stock-based compensation	106,894	
Other	14,541	7,259
	-	-

Future income tax assets of approximately \$1,857,233 (\$1,796,738 as at June 30, 2005) are not recorded in the financial statements. The components of the amount are as follows:

	2006	2005
	\$	\$
Future income tax assets		
Non-capital losses	1,452,496	1,594,364
Research and development costs	92,946	42,882
Temporary differences attributable to amortization of property, plant and equipment	123,324	159,492
Temporary differences attributable to amortization of share issue expenses	188,467	
	1,857,233	1,796,738
Unrecorded net future income tax assets	(1,857,233)	(1,796,738)
Net future income tax assets	-	-

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

17 - INCOME TAXES (continued)

Tax losses which are available to reduce income taxes in future years and eligible research and development costs are detailed as follows:

	<u>Federal</u>	<u>Provincial</u>
	\$	\$
Amount of the loss carry-forwards for tax purposes expiring within the following years:		
2007	2,023,896	2,015,036
2008	1,477,792	1,497,006
2009	822,937	885,577
2013	25,975	89,870
2014	109,342	109,342
2015	71,813	71,813
2026	<u>128,423</u>	<u>117,813</u>
	4,660,178	4,786,457
Amount of temporary differences that can be carried over an indefinite period	<u>1,010,564</u>	<u>1,005,775</u>
	5,670,742	5,792,232
Eligible research and development costs that can be carried over an indefinite period	<u>285,681</u>	<u>332,856</u>
	<u>5,956,423</u>	<u>6,125,088</u>

18 - FINANCIAL INSTRUMENTS

The fair value of short-term financial assets and liabilities including term deposit approximates their carrying amount given the short-term to maturity.

The fair value of the bonds is based on the current bid price.

The fair value of the refundable contribution from Economic Development Canada could not be determined because time and cost constraints do not allow the fair value to be determined with sufficient reliability because there are conditions attached to it that represent a type of government assistance and it is practically impossible to find a financial instrument on the market having substantially the same economic characteristics.

The fair value of the debenture is determined by discounting future cash flows using rates that the Company could use for loans with similar terms and conditions and maturity dates. The fair value of this debenture payable does not differ significantly from the carrying amount.

The fair value of the Class "C" shares could not be determined because time and cost constraints do not allow the fair value to be determined with sufficient reliability because these shares are not negotiated on an open market and it is difficult to find financial instruments on the market having similar characteristics.

Wanted Technologies Corporation

Notes to Financial Statements

as at June 30, 2006 and 2005

18 - FINANCIAL INSTRUMENTS (continued)

Exchange risk

The Company is exposed to exchange risks because of its sales in the United States.

As at June 30, 2006, the Company has accounts receivable denominated in U.S. dollars amounting to US\$162,742 (US\$235,505 as at June 30, 2005), US\$1,332 accounts payable denominated in U.S. dollars (Nil as at June 30, 2005) and cash denominated in U.S. dollars amounting to US\$74,454 (US\$39,533 as at June 30, 2005).

Credit risk

In the normal course of its operations, the Company evaluates the financial condition of its customers on an ongoing basis and reviews the credit history of any new customer.

As at June 30, 2006, the amount receivable from two customers represented 33% (one customer represented 10% as at June 30, 2005) of total accounts receivable.

19 - GEOGRAPHIC INFORMATION

The Company's sales in Canada and the U.S. are broken down as follows:

	2006	2005
	\$	\$
Canada	227,149	127,709
United States	1,682,146	1,339,704
	<u>1,909,295</u>	<u>1,467,413</u>

There are no capital assets outside of Canada.

Revenues are attributed to various countries based on location of customer.