

# **Wanted Technologies Corporation**

## **Interim Consolidated Financial Statements**

**September 30, 2008**

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## **NOTICE FROM MANAGEMENT**

The attached consolidated financial statements have not been examined by the company's external auditors.

## Wanted Technologies Corporation

### Consolidated Earnings and Comprehensive Income

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	Three-month periods ended September 30,	
	2008	2007
	(unaudited)	(unaudited)
	\$	\$
<b>Revenues</b>		
Cost of goods sold	1 410 537	1 447 989
Margin	<u>7 743</u>	
	<u>1 402 794</u>	1 447 989
<b>Expenses</b>		
Research and development, net of tax credits	323 506	422 407
Marketing and selling	477 823	391 578
General and administrative	304 009	410 806
Amortization of intangible assets	52 312	52 312
Financial expenses, net amount	8 871	23 454
	<u>1 166 521</u>	<u>1 300 557</u>
Earnings before other revenue (expenses)	236 273	147 432
Other revenue (expenses):		
Exchange gain (loss)	48 356	(34 028)
Earnings before income taxes	<u>284 629</u>	113 404
Income taxes	<u>(59 880)</u>	
<b>Net earnings and Comprehensive Income</b>	<u><u>224 749</u></u>	<u><u>113 404</u></u>
Basic and diluted net earnings per share (Note 17)	<b>0,009</b>	0,005

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The accompanying notes are an integral part of the consolidated financial statements and Note 3 provides additional information on consolidated earnings.

**Wanted Technologies Corporation**  
**Consolidated Deficit**  
**Consolidated Contributed Surplus**

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	Three-month periods ended September 30,	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	\$	\$
<b>DEFICIT</b>		
Balance, beginning of period	<b>(8 520 384)</b>	(8 880 578)
Net earnings	<b>224 749</b>	113 404
Balance, end of period	<b>(8 295 635)</b>	(8 767 174)
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of period	<b>1 802 078</b>	1 663 520
Stock options forfeited (Note 12)		21 892
Balance, end of period	<b>1 802 078</b>	1 685 412

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

## Wanted Technologies Corporation

### Consolidated Cash Flows

	Three-month periods ended September 30,	
	<b>2008</b>	2007
	<u>(unaudited)</u>	<u>(unaudited)</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net earnings	224 749	113 404
Non-cash items		
Amortization of property, plant and equipment	42 259	42 760
Amortization of intangible assets	52 312	52 312
Stock-based compensation	17 674	107 005
Changes in working capital items (Note 4)	226 506	(212 239)
Cash flows from operating activities	<u>563 500</u>	<u>103 242</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(73 413)	(4 305)
Short-term investments	(2 996)	(385 000)
Business acquisition, net of cash	<u>(179 680)</u>	<u>(179 680)</u>
Cash flows from investing activities	<u>(76 409)</u>	<u>(568 985)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term loan		750 000
Repayment of loans	(60 790)	(60 094)
Cash flows from financing activities	<u>(60 790)</u>	<u>689 906</u>
<b>Net increase in cash</b>	<b>426 301</b>	<b>224 163</b>
Cash, beginning of period	<u>261 735</u>	<u>120 436</u>
Cash, end of period	<u><u>688 036</u></u>	<u><u>344 599</u></u>

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

## Wanted Technologies Corporation Consolidated Balance Sheets

	2008-09-30 (unaudited) \$	2008-06-30 (audited) \$
<b>ASSETS</b>		
Current assets		
Cash	688 036	261 735
Short-term investments (Note 5)	1 007 132	1 004 136
Trade accounts receivable and other receivables (Note 6)	980 063	1 114 907
Tax credits for a company registered at CNNTQ and for research and development receivable	257 054	197 883
Prepaid expenses	110 050	114 289
	<u>3 042 335</u>	<u>2 692 950</u>
Property, plant and equipment (Note 7)	575 091	543 937
Intangible assets (Note 8)	1 100 025	1 152 337
Goodwill	1 415 997	1 415 997
	<u>6 133 448</u>	<u>5 805 221</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	741 795	685 782
Deferred revenue	216 707	186 006
Income taxes payable	59 880	
Instalments on long-term debt (Note 10)	202 686	216 377
	<u>1 221 068</u>	<u>1 088 165</u>
Long-term debt (Note 10)	458 874	505 973
	<u>1 679 942</u>	<u>1 594 138</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 11)	10 756 962	10 756 962
Stock options (Note 12)	190 101	172 427
Contributed surplus	1 802 078	1 802 078
Deficit	(8 295 635)	(8 520 384)
	<u>4 453 506</u>	<u>4 211 083</u>
	<u>6 133 448</u>	<u>5 805 221</u>

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



## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (Continued)

Following the departure of the Company's president and chief executive officer on March 31, 2008, the Company booked a severance premium of \$225,000. As at September 30, 2008, an amount of \$115,545 related to the severance premiums is included in accounts payable and accrued liabilities (\$174,150 as at June 30, 2008).

#### 4 - INFORMATION INCLUDED IN THE STATEMENT OF CONSOLIDATED CASH FLOWS

Changes in working capital items are as follows:

	Three-month periods ended September 30,	
	2008 (unaudited)	2007 (unaudited)
	\$	\$
Accounts receivable and other receivables	134 844	(20 766)
Tax credits for a company registered at CNNTQ and for research and development receivable	(59 171)	(59 137)
Prepaid expenses	4 239	59 455
Accounts payable and accrued liabilities	56 013	(103 998)
Deferred revenue	30 701	(87 793)
Income tax payable	59 880	
	<u>226 506</u>	<u>(212 239)</u>

Cash flows from interest on operating activities are as follows:

	Three-month periods ended September 30,	
	2008 (unaudited)	2007 (unaudited)
	\$	\$
Interest paid	12 063	13 068

#### 5 - SHORT-TERM INVESTMENTS

	2008-09-30 (unaudited)	2008-06-30 (audited)
	\$	\$
Banker's acceptances, 2.82%, maturing in October 2008, at cost (market value of \$503,977) (held-to-maturity investments)	502 996	500 000
Term deposits, 3.12% maturing in June 2009 (3.12% as at June 30, 2008) (financial assets held for trading)	504 136	504 136
	<u>1 007 132</u>	<u>1 004 136</u>

#### 6 - TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2008-09-30 (unaudited)	2008-06-30 (audited)
	\$	\$
Loans and receivables		
Trade accounts receivable (a)	992 548	1 108 280
Allowance for credit losses (b)	(40 000)	(33 000)
	952 548	1 075 280
Other receivables	27 515	39 627
	<u>980 063</u>	<u>1 114 907</u>

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 6 - TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (Continued)

(a) All of the trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses has been recorded accordingly. The impaired trade receivables mostly results from customers in the media market that are experiencing financial difficulties.

As of September 30, 2008, the aging of the unimpaired trade receivables is as follows:

	<b>2008-09-30</b>
	<b>(unaudited)</b>
	<b>\$</b>
Current	<b>325 445</b>
Past due 0-30 days	<b>211 980</b>
Past due 31-120 days	<b>334 429</b>
Past due over 121 days	<b>80 694</b>
Accounts receivable	<b><u>952 548</u></b>

As at September 30, 2008, the amounts receivable from two customers represented 26% (26% as at June 30, 2008) of total accounts receivable.

(b) The movement in the allowance for credit losses can be reconciled as follows:

	Three-month periods ended September 30,	
	<b>2008</b>	2007
	<b>(unaudited)</b>	(unaudited)
	<b>\$</b>	\$
Allowance for credit losses, beginning of year	<b>33 000</b>	10 000
Impairment recorded during the period	<b>7 000</b>	6 000
Allowance for credit losses, as at September 30	<b><u>40 000</u></b>	<u>16 000</u>

#### 7 - PROPERTY, PLANT AND EQUIPMENT

	As at September 30, 2008 (unaudited)		
	Cost	Accumulated Amortization	Amortized cost
Furniture and equipment	146 027	109 504	36 523
Computer equipment	1 074 432	763 283	311 149
Software	112 151	89 325	22 826
Assets under capital leases - Computer equipment	355 100	150 507	204 593
	<b><u>1 687 710</u></b>	<b><u>1 112 619</u></b>	<b><u>575 091</u></b>

	As at June 30, 2008 (audited)		
	Cost	Accumulated Amortization	Amortized cost
Furniture and equipment	145 267	107 611	37 656
Computer equipment	1 001 779	741 356	260 423
Software	112 151	87 474	24 677
Assets under capital leases - Computer equipment	355 100	133 919	221 181
	<b><u>1 614 297</u></b>	<b><u>1 070 360</u></b>	<b><u>543 937</u></b>

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 8 - INTANGIBLE ASSETS

	As at September 30, 2008 (unaudited)		
	Cost	Accumulated Amortization	Amortized
Client list	1 223 079	203 846	1 019 233
Non-competition agreements	138 502	57 710	80 792
	<u>1 361 581</u>	<u>261 556</u>	<u>1 100 025</u>

	As at June 30, 2008 (audited)		
	Cost	Accumulated Amortization	Amortized cost
Client list	1 223 079	163 076	1 060 003
Non-competition agreements	138 502	46 168	92 334
	<u>1 361 581</u>	<u>209 244</u>	<u>1 152 337</u>

#### 9 - BANK LOAN

A Canadian bank loan of an authorized amount of \$500,000, bearing interest at the prime rate plus 1% (5,75%), is secured by the accounts receivable. The bank loan is renewable in October 2008 and is subject to certain restrictive covenants which, as at September 30, 2008, are not in default.

#### 10 - LONG-TERM DEBT

	2008-09-30 (unaudited)	2008-06-30 (audited)
Term loan, 6.65%, secured by movable hypothec of \$750,000 on all assets of the Corporation, payable in monthly instalments of \$14,727, principal and interest, maturing in July 2010 ( <i>other financial liabilities</i> ) (a)	\$ <b>596 798</b>	\$ 630 608
Obligation under capital leases, interest rates varying between 7.4 % and 10.6 %, payable in monthly instalments maturing on different dates until 2009 ( <i>other financial liabilities</i> )	<b>64 762</b>	91 742
	<b>661 560</b>	722 350
Instalments due within one year	<b>202 686</b>	216 377
	<b>458 874</b>	505 973

(a) The term loan agreement includes restrictive covenants. As at September 30, 2008, the Company is not in default of any of these restrictive covenants.

#### 11 - CAPITAL STOCK

The Company's capital stock is as follows:

##### Authorized

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

Unlimited number of class "B" shares without par value, non voting, non participating, issuable in series, the term of each serie being determined on the issue date

##### Issued and fully paid

The following table illustrates changes in the capital stock of the Company :

	Number of Class "A" shares	Amount \$
Balances as at September 30, 2008 and as at June 30, 2008	<u>24 161 326</u>	<u>10 756 962</u>

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 12 - 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 class "A" shares subject to these options, the vesting period, exercise price, expiration date, acquisition terms and restrictions on the exercise of these 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 options.

The maximum number of class "A" 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%.

Vesting occurs in stages, i.e., 20% upon signing and the remaining 80% vests gradually at 20% per annum over a period of 48 months. For underwriter, vesting is upon the signing of contracts.

The following table presents information on stock options outstanding and exercisable as at September 30, 2008:

	Number of options outstanding	Weighted average exercise price	Stock options
		\$	\$
As at June 30, 2008	1 515 000	0,46	172 427
Stock-based compensation			17 674
As at September 30, 2008	<u>1 515 000</u>	<u>0,46</u>	<u>190 101</u>

The options outstanding as at September 30, 2008 are detailed as follows:

Outstanding and exercisable options			
Exercise Price	Number of options outstanding	Weighted average term	Number of options exercisable
\$			
0,20	130 000	9 months	130 000
0,40	1 050 000	34 months	530 000
0,76	<u>335 000</u>	46 months	<u>109 000</u>
	<u>1 515 000</u>		<u>769 000</u>

#### 13 - COMMITMENTS

The Company has entered into a long-term lease agreement expiring in September 2010, which calls for lease payments of \$236,194 for the rental of offices. The minimum lease payments for the next 12-month periods ending September 30 are \$116,923 in 2009 and \$119,271 in 2010.

By virtue of an agreement signed on March 19, 2008, the company has committed to purchase, for re-sale, US\$243,750 of data and information from a vendor. Those purchases must be done over a twelve month period ending March 18, 2009. As at September 30, 2008, the company has purchased US\$152,166 of data and information from that vendor.

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

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#### **14 - CAPITAL MANAGEMENT**

The Company manages its capital with the objective to generate return to its shareholders. The Company aims at keeping a flexible financial structure with a ratio of debts that allows the Company to adequately sustain the daily operations and that will permit the Company to have access to the required sources of financing to continue its growth plan. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or conclude new financing through debts.

The Company's capital is described to be the cash and short term investments, the shareholder's equity as well as the long term debt.

The Company's credit facilities include certain covenants affecting, among others ratios such as the working capital ratio, the interest coverage ratio and the debt-to-capital ratio. These ratios are closely monitored by Management and the Company is in compliance with the ratios as at September 30, 2008. Other than covenants related to its credit facilities, the Company is not subject to any other externally imposed capital requirements.

#### **15 - FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL RISKS**

##### **Fair value**

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

The fair value of the term deposits, the trade accounts receivable and other receivables and the accounts payable and accrued liabilities approximates their carrying amount given that they will mature shortly.

The fair value of the banker's acceptances is based on the published market price.

The fair value of the term loan and the obligations under capital leases 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 these long-term debts, assuming an interest rate of 7%, does not differ significantly from the carrying amount.

##### **Financial risk management objectives and policies**

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks.

##### Exchange risk

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

As at September 30, 2008, the Company has accounts receivable denominated in U.S. dollars amounting to US\$863,821 (US\$974,126 as at June 30, 2008), accounts payable denominated in U.S. dollars amounting to US\$173,560 (US\$122,931 as at June 30, 2008) and cash denominated in U.S. dollars amounting to US\$448,250 (US\$188,041 as at June 30, 2008).

A 5 cents increase or decrease in the exchange rate of the Canadian dollar compared to the U.S. dollar, assuming that all other variables are constant, would have resulted in a \$40,000 increase or decrease in the Company's net earnings for the three-month period ended September 30, 2008.

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 15 - FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL RISKS

##### Credit risk

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

The Company's credit risk exposure, as at September 30, 2008, is detailed as follows:

Cash	688 036
Short-term investments	1 007 132
Trade accounts receivable and other receivables	980 063

The Company's management considers that all the above financial assets that are not impaired are of good credit quality.

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.

The other financial instruments that potentially expose the Company to credit risk are cash, banker's acceptances and a term deposit. As at September 30, 2008, the Company had, with a well-known financial institution, \$448,250 in cash (\$230,216 as at June 30, 2008), \$502,996 in banker's acceptance (\$500,000 as at June 30, 2008) and a term deposit of \$504,136 (\$504,136 as at June 30, 2008). Management considers this financial institution to be at low risk of loss.

##### Interest rate risk

The Company's exposure to the interest rate risk is detailed as follows:

The term deposits, banker's acceptances, term loan and the obligations under capital leases bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The bank loan bears interest at a variable rate and the Company is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

Management considers that fluctuations of the interest rates would not have a material impact on the results of the Company.

##### Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

As at September 30, 2008, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Less than 1 year	1- 2 years
Term loan	176 728	500 731
Obligations under capital leases	64 014	3 388
Accounts payable and accrued liabilities	741 795	
	<u>982 537</u>	<u>504 119</u>

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

#### 16 - SEGMENTED INFORMATION

The Company reviewed its operations and established that it operates in only one reportable industry segment.

#### Geographic

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

	Three-month periods ended September 30,	
	2008 (unaudited)	2007 (unaudited)
	\$	\$
Canada	110 081	78 636
United States	1 300 456	1 369 353
	<u>1 410 537</u>	<u>1 447 989</u>

Revenues are attributed based on the country of domicile of the client.

Property, plant and equipment, per geographic location

	2008-09-30 (unaudited)	2008-06-30 (audited)
	\$	\$
Canada	536 707	500 369
United States	38 384	43 568
	<u>575 091</u>	<u>543 937</u>

#### 17 - NET EARNINGS PER SHARE

The following table compares earnings per share with diluted earnings per share:

	Three-month periods ended September 30,	
	2008 (unaudited)	2007 (unaudited)
	\$	\$
<b>Numerator</b>		
Net earnings	<u>224 749</u>	<u>113 404</u>
<b>Denominator</b>		
Weighted average number of shares outstanding	24 161 326	24 041 616
Dilutive effect of stock options (a)	54 289	594 439
Weighted average number of diluted shares outstanding	<u>24 215 615</u>	<u>24 636 055</u>
<b>Net earnings per share</b>		
Basic	0,009	0,005
Diluted	0,009	0,005

(a) Securities that were not included in the calculation of diluted earnings per share given their antidilutive effect, entitled the underwriters to purchase the following number of class "A" shares:

Stock options (i)	1 385 000	685 000
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(i) All of the 1,385,000 (685,000 as at September 30, 2007) stock options were outstanding as at September 30, 2008.

## Wanted Technologies Corporation

### Notes to Consolidated Financial Statements

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#### **18 - SUBSEQUENT EVENT**

On October 16, 2008, the Company issued 325,000 stock options to some officers for a total amount of \$51,000 having a life of five years. The fair value of the options awarded is \$0.16 per share. The weighted average fair value of each option is estimated at the grant date using Black-Scholes option pricing model. The valuation was carried out using an expected volatility of 100%, a risk-free rate of 2.9%, an expected life of 60 months and no expected dividends.

#### **19 - EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED**

##### **Goodwill and Intangible Assets**

In February 2008, the CICA published new Section 3064, "Goodwill and Intangible Assets", to replace Section 3062, "Goodwill and Other Intangible Assets". Publication of this new section resulted in the withdrawal of Section 3450, "Research and Development Costs", as well as a number of consequential amendments to certain recommendations of the *CICA Handbook*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. This new section is effective for fiscal years beginning on or after October 1, 2008 and the Company will implement it as of July 1, 2009. The Company's management is not able to assess the impact that application of this new section will have on the financial statements.

#### **20 - COMPARATIVE FIGURES**

Certain comparative figures presented for the three-month period ended September 30, 2007 have been reclassified to conform with the presentation adopted for the three-month period ended September 30, 2008.