



Where Hiring Demand Meets Labor Supply™

**WANTED TECHNOLOGIES CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Second Quarter Ended December 31, 2009**

**FEBRUARY 18, 2010**

# WANTED TECHNOLOGIES CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Second Quarter ended December 31, 2009

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# WANTED TECHNOLOGIES CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1) Introduction

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The following analysis concerns the financial situation, operating results and cash flow of WANTED Technologies Corporation (“WANTED” or the “Company”) for the quarter and the six-month period ended December 31, 2009, as compared with the quarter and the six-month period ended December 31, 2008. This management report, prepared as at February 18<sup>th</sup>, 2010, is intended to complement and supplement the unaudited consolidated financial statements and should be read in conjunction with these unaudited consolidated financial statements and the accompanying notes for the second quarter of fiscal 2010 ended December 31, 2009. The consolidated financial statements and the management report are designed to provide investors with a reasonable basis for evaluating the Company’s operating results and financial performance.

**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.**

### Prospective Statements

Apart from historical data, the financial analysis by management contains information and statements concerning the future results of the Company which should be considered as prospective. These statements reflect the current vision of the Company concerning future events; they are based on information currently available to the Company and on reasonable assumptions. 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. More information on these risk factors is available in section “Risks and Uncertainties”. Unless required by Canadian and Provincial securities legislation, the Company does not intend to revise these prospective statements on the basis of new information, future events, or others.

### Non GAAP Measures

EBITDA is one of the key financial indicators used by management to monitor the performance of the Company and assess the Company's ability to generate cash flows from its continued activities and to meet its financial obligations. This indicator is also generally used for valuation purposes. EBITDA represents earnings before interest, tax on earnings, depreciation, amortization and loss in value of physical assets and intangible assets. 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.

## 2) Overview

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WANTED is the leading source of real-time employment market information. The company provides insight and intelligence via its family of WANTED *Analytics*<sup>TM</sup> *Apps* found at [www.wantedanalytics.com](http://www.wantedanalytics.com). Clients in the Media, HR/Staffing, Government and Financial Services sectors use WANTED's online data and SaaS-based analytical solutions to identify economic trends, analyze competitive and market activities and prioritize sales opportunities. Clients include leading Media companies offering advertising-based recruiting services, Staffing agencies and career transition agencies, as well as governmental agencies. WANTED's products and services are delivered electronically via annual subscription, and its revenues are mostly based on recurring fees tied to the number of individual users or "seats" within the client's organization.

### Q2-2010 Highlights

- Revenue of \$1,143,740 for the second quarter of fiscal 2010, compared to \$1,610,643 in the second quarter of fiscal 2009, a decrease of \$466,903, or 29%. Of this difference, approximately \$200,000 is related to the impact of lower exchange rates in the second quarter of fiscal 2010, when compared to the corresponding quarter of previous year.
- Net loss of \$177,925, compared to net earnings of \$113,599 in the second quarter of fiscal 2009, a negative variation of \$291,524. Nearly 50 % of this variation is attributable to a negative difference of \$138,561 between the foreign exchange gain and loss recorded in the corresponding quarters.
- Improvement of 7% in the Company's recurring revenue base from Q1 2010, from an annualized level of \$4.3 million to \$4.6 million.
- Total cash and temporary investments of \$2.5 M\$ at the end of the second quarter of fiscal 2010, an increase of \$246,204 over the first quarter of 2010. This increase was mostly derived from positive cash flows of \$316,584 generated from operations during the second quarter of fiscal 2010.
- Continued progress in the Company's diversification strategy during the quarter by adding agreements with 3 States government agencies and 13 new clients in the Staffing sector. These results provide further evidence of the success of the Company's initiatives aimed at diversifying its client base beyond the media sector which has faced significant economic challenges since the advent of the recession in December, 2008.
- The Company completed the development and testing of its new WANTED *Analytics*<sup>TM</sup> *Apps* platform, released early in Q3 2010. The *Analytics*<sup>TM</sup> *Apps* platform provides the framework to enable the Company to expand its services to include Labor Supply analytical services in addition to its core Hiring Demand services.

## Selected Financial Information

WANTED monitors its overall performance using key financial indicators such as revenues, EBITDA before other revenue and expenses and net earnings.

## Main Quarterly Financial Data

(unaudited)	Q2-2010 12-31-09 \$	Q2-2009 12-31-08 \$	6 mts-2010 12-31-09 \$	6 mts-2009 12-31-08 \$
Revenue	1,143,740	1,610,643	2,279,202	3,021,180
EBITDA before other revenue and expenses	(45,034)	155,400	(140,450)	495,115
Net earnings (loss)	(177,925)	113,599	(172,151)	338,348
Net earnings (loss) per share ( <i>basic and diluted</i> )	(0.007)	0.005	(0.007)	0.014
Total assets	6,074,148	6,212,988	6,074,148	6,212,988
Long-term liabilities	-	418,647	-	418,647

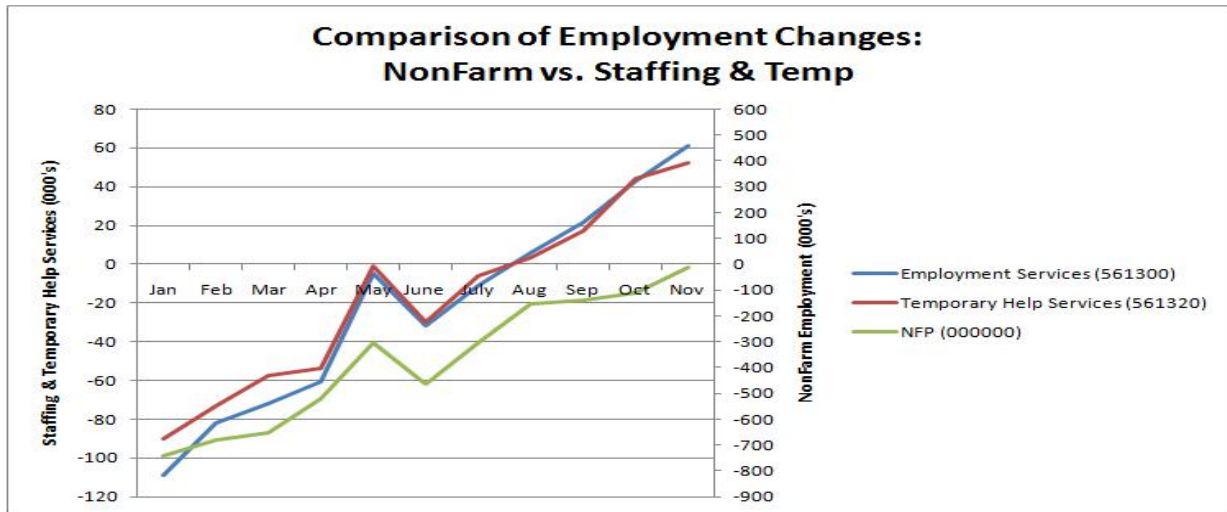
## Business Outlook

WANTED Technologies' clients provide Employment Services mainly in United States, a sector of the economy that has experienced the most severe and persistent effects of the recession. The Company's financial performance in Q2 reflects the cumulative effects of the recession's persistence and its impact on the companies that WANTED serves. Employment Services revenues for many of WANTED's clients have been down 40 percent to 60 percent on a year-over-year basis during this recession.

Fortunately, the worst of the economic crisis has passed. However, no clear consensus among economists exists on the timing and the pace of the recovery in employment. Employers are reluctant to add to their payrolls until it is clear that an economic recovery is fully underway.

However, there is strong evidence from prior recessions that once confidence in the economy returns, hiring begins again, often at a rapid pace. The Employment Services sector is, therefore, considered "cyclical", which means it behaves in a generally predictable fashion. When the economy recovers, revenue for companies providing Employment Services also recover in a predictable fashion. The rate and timing of recovery in revenues are the only unknowns in cycles like these.

Recent data indicates that the level of Temporary workers in the US has begun to improve. The trend in Employment of Temporary workers as of December, 2009, is distinctly positive as shown in the chart below.



The data that appears in the charts above is assembled and published by the US Bureau of Labor Statistics. Economists pay particular attention to changes in employment among Temporary Help services. Temporary workers are usually the first to be let go during an economic downturn and the first to be hired during a recovery. Growth or contraction among Temporary workers is therefore often considered a leading indicator of the overall health of the market.

Because of the cyclical nature of the Employment sector, and because the opportunities for Employment services companies improve significantly during an economic recovery, WANTED has been developing and will launch a new family of applications to capitalize on this opportunity for growth. WANTED has identified a new set of Labor Supply services that will help employers and staffing companies to identify and compare the best candidates. These potentially high-growth Labor Supply services will be offered in addition to the core Hiring Demand services that the Company provides to its clients.

To make the Labor Supply services available, WANTED has released, early in the third quarter (Q3 2010), a new technology platform, called *Analytics Apps™* which can accommodate both Hiring Demand and Labor Supply applications. Additionally, the Company expects to invest in personnel and highly-targeted marketing to pursue the development and to commercialize its new Labor supply services which will be launch in the fourth quarter of this fiscal year on the *Analytics Apps™* platform.

In addition to the development of the *Analytics Apps™* platform, WANTED has also been focusing on its services for the Government sector. The Company and its business partner, The Conference Board, a leading economic analysis organization, have produced labor market indicators which are being adopted by State and Local governments to help them understand, in real-time, the state of their economies. These efforts with The Conference Board have benefited from US Economic Stimulus funds, which are designed to assist with State and Local economic development.

Also during the last quarter, the Company signed an agreement with Forensic JobStats, a leading provider of expert legal advice and consultation during employment litigation. Thousands of employment litigation cases are filed annually and typically such cases require an assessment of the employment market conditions and opportunities for terminated employees. This new agreement with Forensic JobStats illustrates how the Company has been able to diversify by the identification of new markets for its historical database of online jobs listings.

One of WANTED's overall strengths is to provide market intelligence and sales productivity tools. These services provide clients with valuable insight during both positive and negative periods in economic cycles. The value of these services has helped support the Company's revenues generation during this very challenging economic environment. This, combined with the Company's success in diversifying its client base, creates a foundation for future growth as the economy recovers. The Company's new Labor Supply services, which will begin to be introduced in Q4, should also position WANTED for success in the coming years by addressing a new market segment which is a natural extension for WANTED.

### 3) Operating results

#### Revenues

WANTED's business model is largely focused on building its recurring revenue base through annual subscriptions to its leading employment market intelligence platform, *Analytics*<sup>TM</sup>.

For the second quarter of fiscal 2010, WANTED posted revenues of \$1,143,740, compared to \$1,610,643 for the second quarter of fiscal 2009, a decrease of \$466,903 or 29%. Revenues in the second quarter of fiscal 2010 suffered significantly from the negative fluctuations in the U.S. dollar versus the Canadian dollar. The average exchange rate went from 1.2125 for the second quarter ended December 31, 2008 to an average of 1.0562 for the second quarter ended December 31, 2009. A constant foreign exchange at 1.2125 would have resulted in additional revenue, for the second quarter ended December 31, 2009, of approximately \$157,000.

For the six-month period ended December 31, 2009, the Company's total revenues were \$2,279,202 compared to \$3,021,180 for the corresponding period in the previous fiscal year, a decrease of \$741,978 or 25%.

Revenue derived from recurring revenue contracts amounted to \$1,098,443 for the second quarter ended December 31, 2009, a decrease of \$388,715, or 26%, over the \$1,487,158 registered in the second quarter ended December 31, 2008. Non-recurring revenues amounted, for the second quarter of fiscal 2010, to \$45,297, representing a decrease of \$78,188 over the corresponding quarter of the previous year.

As of December 31, 2009, contracts in hand had an approximate value of 4.6 million dollars in annualized recurring revenues, an increase of 7 % over the 4.3 million in hand as of September 30, 2009. Most importantly, WANTED's recurring revenue base increased in the second quarter of fiscal 2010, on a US dollar basis, for a second consecutive quarter. This value of 4.6 million dollars, however, represents a decrease of 27 % when compared to the same metric as of December 31, 2008 (6.3 million dollars). As further described below, the book of recurring revenue has been heavily affected by the significant negative variation in foreign exchange over the last year.

	Q1-2010 \$	Q2-2010 \$	Q2-2009 \$	Change \$	Change %
Recurring revenue	1,032,153	1,098,443	1,487,158	(388,715)	(26%)
Non-recurring revenue	103,309	45,297	123,485	(78,188)	(63%)
Total revenue	1,135,462	1,143,740	1,610,643	(466,903)	(29%)
Book of Rec. revenue - end (CDN\$)	\$4,3 M	\$4,6 M	\$6,3 M	(\$1,7 M)	(27%)
Book of Rec. revenue - end (US\$)	\$4,0 M	\$4,4 M	\$5,2 M	(\$0,8 M)	(15%)

This contraction in WANTED'S base of recurring revenues, when compared to the corresponding quarter of the previous year, also stems from cutbacks largely among WANTED's Media clients, some of whose revenues in the employment category have declined 50 percent during the past year. The majority of cutbacks among the Company's Media clients appear to be over, and at the same time, the Company is succeeding at replacing some of the lost recurring revenues in the Media sector with revenues in the Staffing and Government sectors. In spite of this challenging environment in the second quarter, WANTED was able to secure agreements with thirteen new Staffing industry clients, and, in conjunction with The Conference Board, three State and local government agencies during the quarter. These two sectors, Staffing and Government, represented together, at the end of the second quarter of fiscal 2010, approximately 22% of the total recurring revenue base, confirming the success in the diversification strategy.

The concept of recurring annualized revenues assumes that all recurring revenue contracts, as of the calculation date, will be renewed and is calculated based on the average exchange rate of the last month of the quarter. For the second quarter ended December 31, 2009, recurring revenues represented approximately 96% of total revenues compared to 92% for the second quarter ended December 31, 2008.

Ninety-three per cent (93%) of WANTED's revenues, for the quarter ended December 31, 2009, came from sales denominated in US dollars compared to ninety-five per cent (95%) for the quarter ended December 31, 2008.

## **Cost of goods sold**

Some WANTED services are based on enriching the content of business databases which are licensed from third parties and re-sold to WANTED's clients. The licensing costs of these business databases represent the majority of WANTED's cost of goods sold. For the second quarter of fiscal 2010, the cost of goods sold associated with this type of revenue amounted to \$1,785, compared to \$29,449 for the second quarter of fiscal 2009. For the six-month period ended December 31, 2009 the cost of goods sold was \$2,028, compared to \$37,192 for the six-month period ended December 31, 2008.

Revenues related to this type of transaction totalled \$4,358 for the second quarter of fiscal 2010 and \$5,189 for the six-month period ended December 31, 2009. For the three-month and six-month periods ended December 31, 2008, the revenues related to these goods sold totalled \$35,870 and \$74,515 respectively.

## **Research and development expenses**

Research and development costs, net of CNNTQ (Centre National des Nouvelles Technologies de Québec) and research tax credits totalled \$394,225 for the second quarter of fiscal 2010, compared with \$404,280 for the second quarter of fiscal 2009, a net decrease of \$10,055 or 2%. This variation mostly results from a decrease in professional fees and training expenses. Despite the slight decrease in R&D expenses, significant investments were dedicated in the second quarter of fiscal 2010 to finalize the development of the new *Analytics Apps<sup>TM</sup>* platform. This new *Analytics Apps<sup>TM</sup>* platform, released in January 2010, lays the foundation for the Company to begin offering Labor Supply applications, which are expected to provide the basis for significant revenue growth in the medium and long term. The *Analytics Apps<sup>TM</sup>* platform is also part of the Company's overall strategy for client diversification.

For the six-month period ended December 31, 2009, the Company's net research and development costs totalled \$733,078, compared to \$727,786 for the corresponding period in the previous fiscal year, an

increase of \$5,292 or 1%. This increase is mainly attributable to an increase in software licenses dedicated to the development of upcoming Labor Supply applications.

Tax credits recorded for the first six months of fiscal 2010, were \$119,986 compared to \$119,681 for the corresponding period in the previous fiscal year.

## **Marketing and selling expenses**

For the quarter ended December 31, 2009, marketing and selling expenses totalled \$561,465, compared with \$694,071 for the quarter ended December 31, 2008, a decrease of \$132,606 or 19%. For the six-month period ended December 31, 2009, the Company's marketing and selling expenses totalled \$971,096, compared to \$1,171,894 for the corresponding period in the previous fiscal year, a decrease of \$200,798 or 17%. These decreases reflected the Company decision to restrain marketing investments during a period when the Company's existing and prospective clients were themselves operating in a severe cost-reduction environment. Lower foreign exchange rates in fiscal 2010 also contributed to the reduction in marketing and selling expenses, these expenses being, in majority, incurred in US dollars. Lower professional fees and travelling expenses in the first six months of fiscal 2010 also contributed to this decrease in marketing and selling expenses.

## **Administrative expenses**

For the second quarter of fiscal 2010, administrative expenses totalled \$278,542, compared with \$370,174 for the second quarter of fiscal 2009, a decrease of \$91,632, or 25%. For the six-month period ended December 31, 2009, the Company's administrative expenses totalled \$525,576, compared to \$674,183 for the corresponding period in the previous fiscal year, a decrease of \$148,607 or 22%.

These decreases are mostly the result of lower professional fees and traveling expenses in the first six months of fiscal 2010 compared to the corresponding period of fiscal 2009.

## **Financial expenses**

Net financial expenses mainly consist of interest expenses on long-term debt, net of interest income on temporary investments.

For the second quarter ended December 31, 2009, net financial expenses totalled \$14,275, compared with net financial expenses of \$10,156 for the quarter ended December 31, 2008, an increase of \$4,119. For the six-month period ended December 31, 2009, the Company's net financial expenses totalled \$24,057, compared to \$19,027 for the corresponding period in the previous fiscal year, an increase of \$5,030.

These variations in the current quarter and the six-month period are mostly the result of a decrease in interest revenue resulting from lower available interest rates, partially offset by decreases in both interests expenses related to long-term debt and other financial expenses.

## **Earnings (loss) before other revenue and expenses**

For the second quarter ended December 31, 2009, loss before other revenue and expenses totalled \$147,322, compared with earnings before other revenue and expenses of \$50,202 for the second quarter ended December 31, 2008, a negative variance of \$197,524. This variance is primarily due to a decrease of \$439,239, or 28% in gross margin resulting from lower revenues. This decrease in gross margin was however partially offset by decreases in research and development, marketing, selling and administrative expenses representing a decrease of \$234,293, or 16%, in operating expenses. A decrease of \$11,541 in the amortization expenses recorded on intangible assets resulting from fully amortized non-competition agreements as of June 30, 2009 also contributed to this reduction in operating expenses.

For the six-month period ended December 31, 2009, the Company's loss before other revenue and expenses totalled \$58,173 compared to earnings before other revenue and expenses of \$286,475 for the corresponding six-month period in the previous fiscal year, a negative variance of \$344,648. This negative variation is primarily due to a decrease, in the first six month of fiscal 2010, of \$706,814, or 24%, in gross margin which was partially offset by a decrease in operating expenses of \$362,166.

## **Net earnings (loss)**

Net loss, for the second quarter of fiscal 2010, was \$177,925, compared to net earnings of \$113,599 recorded in the second quarter of fiscal 2009, a negative variation of \$291,524. Net loss for the six-month period ended December 31, 2009 totalled \$172,151, compared to net earnings of \$338,348 for the same period of fiscal 2009, a negative variation of \$510,499.

These negative variations mostly result from the combine effect of the decrease in earnings before other revenue and expenses and exchange losses recorded. When compared to the same period with the previous year, earnings before other revenue and expenses decreased by \$197,524 and \$344,648 for the respective three-month and six-month periods ended December 31, 2009. In addition, unfavorable prevailing exchange rates caused the Company to record currency exchange losses of \$15,800 and \$82,655 for the second quarter and the six-month periods ended December 31, 2009, representing respective negative variations of \$138,561 and \$253,772 over the corresponding period of prior year.

Net losses for three-month and six-month periods ended December 31, 2009 were however partially offset by lower provisions for income taxes. The Company recorded provisions of \$14,803 and \$31,323 for the second quarter and the six-month periods ended December 31, 2009, compared to provisions of \$59,414 and \$119,294 recorded in the corresponding period of prior year, representing positive variations of \$44,611 and \$87,971 respectively.

## Main Quarterly Financial Data

	Third Quarter \$ 03-31-09	Fourth Quarter \$ 06-30-09	First Quarter \$ 09-30-09	Second Quarter \$ 12-31-09
Revenues	1,641,587	1,452,660	1,135,462	1,143,740
EBITDA before other revenue and expenses	226,285	382,561	185,484	(45,034)
Net earnings (loss)	90,086	140,374	5,774	(177,925)
Net earnings (loss) per share (basic and diluted)	0.004	0.006	0.0002	(0.007)
	03-31-08	06-30-08	09-30-08	12-31-08
Revenues	1,334,141	1,465,290	1,410,537	1,610,643
EBITDA before other revenue and expenses	307,959	271,794	339,715	155,400
Net earnings	7,281	132,574	224,749	113,599
Net earnings per share (basic and diluted)	0.0003	0.006	0.009	0.005

Net loss per share (basic and diluted) totalled \$0.007 for the second quarter ended December 31, 2009, compared with net earnings per share (basic and diluted) of \$0.005 for the second quarter ended December 31, 2008. For the six-month period ended December 31, 2009, the company recorded a net loss per share of \$0.007, compared to a net earnings per share of \$0.014 for the corresponding period of prior year.

## 4) Cash Flows

As at December 31, 2009, the balance sheet showed a cash position of \$1,949,626, compared with \$1,742,970 at the beginning of the fiscal year, an increase of \$206,656.

### Operating activities

During the second quarter of fiscal 2010, cash flows generated from operating activities were \$316,584, compared to \$454,337 in the second quarter of the previous year, a decrease of \$137,753. This variation is mostly explained by a decrease of \$291,524 in the Company's profitability for the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009. This negative variance was however offset by a positive variation in changes in working capital items of \$169,833 mostly attributable to a positive variation of \$207,403 in trade accounts receivables.

For the six-month period ended December 31, 2009, operating activities generated \$339,658, compared to \$1,017,837 for the corresponding six-month period in the previous fiscal year, a decrease of \$678,179 or 67%. This decrease is the result of a negative variation of \$510,499 in the Company's profitability for the first six months of fiscal 2010 compared to the first six months of fiscal 2009. Also contributing to this decrease is a negative variation of \$146,415 in the changes in working capital items.

## **Investing activities**

For the second quarter of fiscal 2010, investing activities used \$7,301 in cash flows, compared with \$287,292 for the first quarter of fiscal 2009, a positive variation of \$279,991 mostly resulting from reductions of \$246,033 in amounts invested in temporary investments and \$34,008 in the liquidities used for the acquisition of property, plant and equipment.

For the six-month period ended December 31, 2009, investing activities used \$17,275 in cash flows, compared to \$363,701 for the corresponding six-month period in the previous fiscal year, a decrease of \$346,426 or 95%. This positive variation is the result of reductions of \$249,029 in amounts invested in temporary investments and \$97,447 in liquidities used to acquire property, plant and equipment. Note that during the first six months of fiscal 2010, the Company purchased for a total value of \$94,999 in property, plant and equipment by way of capital leases with no impact on consolidated cash flows. These additional investments support the Company's successful diversification strategy and also provide the foundation for launching a new family of Supply-Side employment market services.

## **Financing activities**

Financing activities used \$63,079 in cash flows during the second quarter of fiscal 2010, compared to \$86,312 during the second quarter of fiscal 2009, a decrease of \$23,233. For the six-month period ended December 31, 2009, financing activities used \$115,727, compared to \$147,102 for the corresponding six-month period in the previous fiscal year, a decrease of \$31,375 or 21%.

These variations in both the three-month and six-month periods are mostly the result of the repurchase of 150,000 Class "A" shares during the second quarter of fiscal 2009 amounting to \$32,250. These transactions were made as part of a normal course issuer bid. No such activities were done during the second quarter of fiscal 2010.

## **5) Balance Sheet and Financial Situation**

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### **Assets**

As at December 31, 2009, WANTED had \$2,469,491 in cash and temporary investments, compared with \$2,262,835 as at June 30, 2009. This increase of \$206,656 in the Company's liquidity is mainly the result of positive cash flows of \$339,658 generated from the operating activities. This increase was however partially offset by negative cash flows of \$17,275 and \$115,727 used for investing and financing activities respectively.

As at December 31, 2009, short-term assets totalled \$3,322,785, compared with \$3,444,441 as at June 30, 2009, a decrease of \$121,656. This decrease is mainly attributable to a decrease of \$466,520 in accounts receivables resulting from the collection during the first two quarters of fiscal 2010 of significant accounts receivable outstanding as of June 30, 2009. This decrease in accounts receivable was partially offset by increases of \$119,986 in tax credits receivable, \$206,656 in cash and temporary investments and \$18,222 in prepaid expenses.

As at December 31, 2009, property, plant and equipment totalled \$519,981, compared with \$500,733 as at June 30, 2009. This increase of \$19,248 is the result of the acquisition of \$112,274 in property, plant and

equipment to be able to maintain adequate user response time within new and more complex user applications. This increase was partially offset by an amortization charge of \$93,026 recorded in the first six months of fiscal 2010.

As at December 31, 2009, intangible assets stood at \$815,385 compared to \$896,925 as at June 30, 2009. This decrease is attributable to the recording of an amortization expense of \$81,540 during the first two quarters of fiscal 2010. Intangible assets consist of the value allocated to the clients list acquired through the Corzen acquisition.

As at December 31, 2009, total assets stood at \$6,074,148, compared with \$6,258,096 as at June 30, 2009, a decrease of \$183,948. This variance is mainly due to decreases in short-term assets and intangible assets, partially offset by an increase in property, plant and equipment.

## Liabilities

As at December 31, 2009, total liabilities were \$1,368,919, compared with \$1,421,695 as at June 30, 2009, a decrease of \$52,776 mostly resulting from decreases of \$53,967 in accounts payable and accrued liabilities, \$46,945 in income taxes payable and \$20,728 in long-term debt, (including short-term installments). The variation on long term debt results from capital repayments of \$115,727 during the first six months of fiscal 2010, offset by new capital leases used to purchase \$94,999 of property, plant and equipment. These decreases were partially offset by an increase of \$68,864 in deferred revenues.

As at December 31, 2009, the Company had no long term liabilities. All installments on long-term debt, totaling \$485,231 were due within the next 12 months and presented in short-term liabilities. The Term loan, amounting to \$418,623 as of December 31, 2009, is due for renewal in July 2010.

## Contractual obligations

### Required payments by period

	Total \$	Less than 1 year \$	2 years \$
<b>(In Canadian dollars)</b>			
Long-term debt	485,231	485,231	-
Use of office space	91,179	91,179	-
<b>(In American dollars)</b>			
Purchases of data and information	181,302	181,302	-

## 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.

<u>Issued and fully paid</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
	\$	\$
24,011,326 class "A" shares	10,690,212	10,690,212

The Company announced, on November 24, 2008, the filing with the TSX Venture Exchange (the "Exchange"), which was accepted, of a notice of intention to proceed with a normal course issuer bid. Under its normal course issuer bid, the Company intends to purchase, for cancellation, a maximum of 1,200,000 common class "A" shares of WANTED, representing approximately 5% of the public float of the Class "A" shares issued and outstanding on November 13, 2008. This repurchase share program expired on November 30, 2009. No repurchase of shares were made during the first two quarters of fiscal 2010.

As at December 31, 2009, shareholders' equity totalled \$4,705,229 compared with shareholders' equity of \$4,836,401 as at June 30, 2009. This decrease of \$131,172 in the Company's shareholders' equity is mainly due to an increase in the accumulated deficit subsequent to a loss of \$172,151 for the first six months ended December 31, 2009. This increase was partially offset by an increase of \$40,979 in the value assigned to stock options resulting from a stock-based compensation expense.

### Stock options

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

<u>Quantity</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
Stock options	1,960,000	1,890,000

During the first two quarters of fiscal 2010, 330,000 stock options were forfeited. This resulted in an increase of \$30,289 in contributed surplus and a corresponding decrease in stock options.

On November 25th, 2009, the Company issued 200,000 stock options to Paradox Public Relations Inc. WANTED retained the services of Paradox Public Relations Inc. as strategic investor relations consultants to the company. Paradox will focus on developing and expanding WANTED's communications with the investment community through a comprehensive investor relations program. The stock options issued to Paradox have a term of two years. On December 3<sup>rd</sup>, 2009, the Company issued an additional 200,000 stock options to some directors and officers of the company. These stock options have a term of five years. The exercise price of all these new stock options is 0.40\$ per share.

Additional information on capital stock and stock options can be found in notes 11 and 12 of the Company's unaudited consolidated financial statements for the second quarter ended December 31, 2009.

## **6) 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, provisions for bad debt expenses, evaluation of certain accrued liabilities, evaluation of tax credits receivable for a company established at the Centre national des nouvelles technologies de Québec (CNNTQ) and for research and development and depreciation tests pertaining to the long-lived assets and goodwill. Though actual results may differ from these estimates, management does not consider that they will differ significantly from the announced results.

### **Changes in Accounting Policies**

On July 1<sup>st</sup>, 2009, in accordance with applicable transitional provisions, the Company adopted the new recommendation of Section 3064, "Goodwill and Intangible Assets" of the *Canadian Institute of Chartered Accountants Handbook (CICA)*. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The application of the new accounting standard had no impact on the Company's financial results.

### **Future Accounting Policies**

#### Business combinations

In January 2009, the CICA published Section 1582, "Business Combinations", which replaces Section 1581 with the same title. On the same date, the CICA also published new Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests". These two new sections replace Section 1600, "Consolidated Financial Statements".

The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. Section 1601 establishes standards for the preparation of consolidated financial statements following a business combination that involves a purchase of an equity interest by one company in another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Section 1582 must be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 and Sections 1601 and 1602 are effective for fiscal years beginning on or after January 1, 2011. The Company will apply these new sections as of July 1, 2011. The Company's management is not able to measure the impact that the application of these new standards will have on the financial statements.

## International Financial Reporting Standards (“IFRS”)

The CICA has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. Consequently, the Company will apply IFRS beginning July 1, 2011 and will be required, at this date, to prepare financial statements in accordance with IFRS. Although IFRS uses a conceptual framework similar to Canadian GAAP, some significant differences exist on recognition, measurement and disclosures.

The Company has developed its IFRS conversion plan and has completed an initial review of IFRS, which includes an analysis of the IFRS standards, with priority being placed on those that have been identified as possibly having a significant impact on the Company’s financial statements. The Company has made a preliminary classification of the IFRS standards into those that could have a significant, moderate or no impact on the Company’s financial reporting. While the effects of IFRS have not yet been fully determined, the Company has identified a number of key areas where it is likely to be impacted by changes in accounting policy. These include: impairment of assets, foreign currency translation, share-based payments, business combination, property, plant & equipment, intangible assets and the presentation of the financial statements.

During the first two quarters of fiscal 2010, WANTED has initiated the work on some of the areas that could have a significant impact on the financial statements, could require significant amount of work or could require modifications to the business processes or information systems of the Company.

## **7) Information Communication Controls and Procedures**

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In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company will file a “Venture Issuer Basic Certificate” with respect to the financial information contained in the unaudited consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management’s Discussion and Analysis.

In contrast to the certificate under Multilateral Instrument (“MI”) 52-109 (Certification of Disclosure in Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification includes a “Note to Reader” stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in MI 52-109.

## **8) Risks and Uncertainties**

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### **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 has begun to invest in a new set of Labor Supply services which will enable the Company to enter a much larger segment of the Employment Services market. These Labor Supply services, however, will face existing and new competitors in this segment.

WANTED provides state-of-the-art products. However, nothing can guarantee the speed with which clients will embrace these products, particularly within the new markets of recruiting services, governments and financial services which WANTED is entering. Though the Company has proven that its products can meet the needs of clients in the media market, it is difficult to assess the precise potential of its solutions for other targeted markets.

## **Economy**

Leading economist agrees that the worst of the recession in the US and Canada has passed and that a significant contributor to this improvement was the \$787 billion Stimulus package passed by the US Congress in February, 2009. Economists agree that in the absence of this stimulus, the depth and duration of the recession would have been extended.

No consensus currently exists regarding the need for an additional economic stimulus. Many economists believe the Depression in the 1930s was prolonged by the failure to sustain Federal spending as a level to continue the recovery. These same economists caution that a failure to continue to use Federal funds to stimulate the economy could cause the country to fall back into recession. This so-called “double-dip” recession would have a negative effect on employment conditions and on WANTED’s clients.

## **Credit risk**

The financial instruments that could expose the Company to a credit concentration risk mainly include: cash, term deposit and trade accounts receivable and other receivables. Cash and term deposit are held by a top-rated financial institution. As at December 31, 2009, the Company had, concentrated with a well-known financial institution, \$1,858,764 in cash and a term deposit of \$519,865. Management considers this financial institution to be at very low risk. 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. The Company assesses the credit of its clients on an ongoing basis and, should an account be deemed irrecoverable, a bad debt provision is established.

As at December 31, 2009, the accounts receivable from two customers represented 29% of total trade and other receivables. As at June 30, 2009, two clients represented 36% of total trade and other receivables.

Additional information on credit risk is available in note 15 of the Company’s unaudited consolidated financial statements for the first six months ended December 31, 2009.

## **Exchange risk**

Due to the significant portion of the revenues generated from the US, to the accounts receivable associated with these revenues, and the cash position in U.S. dollars, the Company is significantly exposed to exchange risk. The vast majority (94%) of the Company’s revenue for the first two quarters of fiscal 2010 were in US dollars.

As at December 31, 2009, the Company has accounts receivable (before allowance for doubtful accounts) denominated in U.S. dollars amounting to US\$385,128, accounts payable denominated in U.S. dollars amounting to US\$292,894 and cash denominated in U.S. dollars amounting to US\$656,665.

Additional information on exchange risk is available in note 15 of the Company's unaudited consolidated financial statements for the first six months ended December 31, 2009.

### **Interest risk**

The temporary investments and the long-term debt bear interest at a fixed rate. The Company is therefore exposed to the risk of changes in fair value resulting from interest rate fluctuations.

### **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.

Additional information on liquidity risk is available in note 15 of the Company's unaudited consolidated financial statements for the six-month period ended December 31, 2009.

The Company feels that it vigorously monitors these risks and uncertainties.

## **9) 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