



ANNUAL REPORT

2006

WANTED TECHNOLOGIES CORPOPRATION

Annual report

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MESSAGE FROM THE PRESIDENT

A YEAR OF MAJOR MILESTONES

The financial year ending June 30th 2006 was one of marketing and financial developments, completing a major transition in the evolution of the Company.

In previous years, the Company began the process of transforming WANTED Technologies from a consumer-oriented company (B2C) to a business solutions provider (B2B) of leading new media intelligence within the online recruitment landscape. This conversion was completed during the past year as we made carefully thought-out strategic decisions that will most certainly allow the Company to substantially expand over the coming years and greatly improve its financial position.

On September 20th 2005 WANTED completed a qualifying transaction through a Capital Pool Company (CPC) to be listed on the TSX Venture Exchange. As a result of this process, the Corporation raised \$2,250,000. This enabled WANTED to eliminate the majority of its debt. As such, the Company's balance sheet can now support the growth-oriented business strategy with a 1.8M\$ cash position as of June 30th, 2006.

From a market standpoint, we have increased and diversified our product line and have begun promoting new products such as WANTED Leads which consist of Recruitment Leads for third party CRM systems, WANTED Analytics, a Web-based company profile tool and a new Real Estate data offering for the media industry.

With respect to the bottom line, the majority of the loss incurred during the fiscal year consists of non-recurring and non-cash items with the operations of the Company being close to break-even in this pivotal year.

BUILDING ON SOLID GROUND

As stated above, this year was a turning point in which we positioned WANTED as a leader in an expanding market with significant growth potential, resulting in a significantly strengthened business model. We plan to leverage our development capacity and in-house expertise while building an agile and successful customer oriented company in this attractive market space.

I would like to thank all of our employees for their hard work and dedication during this past year. I would also like to thank our shareholders and customers for their ongoing support. We look forward to reporting on our progress throughout the coming year.

Sincerely yours,

David Tanguay
Chief Executive Officer and Co-Founder

WANTED TECHNOLOGIES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following analysis concerns the financial situation, operating results and cash flow of Wanted Technologies Corporation ("Wanted" or the "Company") for the fiscal year ended June 30, 2006, as compared to the fiscal year ended June 30, 2005. This management report, prepared as of October 13, 2006, is intended to complement and supplement the audited financial statements and should be read in conjunction with these statements and associated notes. The financial statements and the management report are designed to provide investors with a reasonable basis for the evaluation of operating results and financial performance.

The audited financial statements were prepared in accordance with Canadian generally accepted accounting principles as established by the Canadian Institute of Chartered Accountants. Unless otherwise specified, all of the financial information presented below is in Canadian dollars.

Overview

Wanted is a provider of business intelligence services and software for online recruitment activities and, recently, for residential real estate advertising activities. As a result of its capacity to aggregate, sort and present information from various sources in a very precise manner, WANTED is able to gauge trends in classified advertising and, more importantly, to deliver information on targeted leads. Targeted industries include media in the field of recruitment, such as newspapers and electronic bulletin boards, recruitment and staffing agencies, career transition agencies and recruitment advertising agencies, to name but a few.

2006 Highlights

- Significant revenue growth:
 - 30% revenue growth for the 2006 fiscal year as compared to the 2005 fiscal year;
 - 49% revenue growth for the 4th quarter of 2006 as compared to the 4th quarter of 2005;
 - 27% revenue growth for the 4th quarter of 2006 as compared to the 3rd quarter of 2006.
- Signing of major contracts:
 - Gannett – the largest newspaper group in the United States;
 - Wanted has also become the exclusive data provider for the monthly employment index of the United States Conference Board.
- Establishment of an operational and financial structure to support the Wanted growth strategy:
 - Completion of a qualifying transaction in order to become a public corporation;
 - Raising funds of \$2.25M through the CPC process;
 - Hiring of personnel for the R&D, Sales and Marketing, and Administration departments to sustain future growth;
 - As of June 30, 2006, Wanted had over \$1.8M in cash to support its growth strategy and product development.

- Adaptation of Wanted's technologies and products to monitor and analyze classified advertising in the residential real estate market.

Key Performance Indicators

Wanted assesses the overall performance of the Company based on key financial indicators, including revenues and EBITDA* before other items and net loss. These items are described in the appropriate sections below. Management also monitors performance using a number of operating indicators, including growth of recurring monthly revenues.

Main Annual Financial Data

(In Canadian dollars)	2006	2005	2004
	\$	\$	\$
Sales	1,909,295	1,467,413	825,533
EBITDA* before other items	(27,691)	308,384	67,016
Net loss	(671,841)	(498,050)	(516,890)
Net loss per share (basic and diluted)	(0.037)	(0.050)	(0.050)
Total assets	2,580,209	1,051,339	672,942
Long-term liabilities	175,483	2,134,812	3,540,524

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

Operating Results

Sales

For the fiscal year ended June 30, 2006, sales totalled \$1,909,295, compared to \$1,467,413 for the same period last year, which represents an increase of 30%. This increase in sales is due to the recruitment of new clients, including Gannet, the largest newspaper group in the United States. This sales growth is the fruit of the Company's efforts in the development of solutions targeting the American newspaper market; it is also due to the fact that, from one quarter to the next, Wanted continues to increase its market share in this sector.

It is important to note that Wanted's revenues come from renewable annual contracts that generate recurrent revenue for the Company. As of June 30, 2006, current contracts represented just over 2.2 million dollars in annualized revenue, whereas current contracts as of June 30, 2005 totalled 1.5 million dollars in annualized revenue, which represents an increase of 47%. It should be noted that the concept of recurrent annualized revenue assumes that all current customer contracts will be renewed as of the calculation date, since the majority of Wanted's customer contracts are 12-month agreements.

Eighty-eight per cent (88%) of Wanted sales for the fiscal year ended June 30, 2006 represent sales in US dollars.

Research and development expenses

Research and development costs, free of tax credits for a company established at the Centre national des nouvelles technologies de Québec (CNNTQ – Quebec centre for new technologies), for the fiscal year ended June 30, 2006, totalled \$506,395, compared to \$274,573 for the 2005 fiscal year, which represents an increase of \$231,822 or 84%. The increase in these costs is due to the hiring of new personnel dedicated to the development of new versions of products for the recruitment market, and of new products for the residential real estate market—all of this is supported by the implementation of a technological infrastructure appropriately tailored to the growth projects.

For the fiscal year ended June 30, 2006, Wanted recorded a \$93,441 tax credit as a company established at the Centre national des nouvelles technologies de Québec (CNNTQ), as compared to \$53,636 last year. During the previous fiscal year, the Company had also recorded \$55,043 in research and development tax credits.

Marketing and selling expenses

For the fiscal year ended June 30, 2006, marketing and selling expenses totalled \$769,693, compared to \$476,881 for the previous year, which represents an increase of \$292,812 or 61%. This increase is essentially due to the hiring of new employees for commercialization and product sales to support our growth strategy, as well as to increased investments in advertising and marketing activities.

Administrative expenses

For the fiscal year ended June 30, 2006, administrative expenses totalled \$756,692, compared to \$480,230 for the 2005 fiscal year, which represents an increase of \$276,462 or 58%. This increase is largely due to the hiring of new personnel in the finance and administration departments, as well as to the additional costs the Company has to bear now that it is a publicly traded corporation.

Financial expenses

For the fiscal year ended June 30, 2006, net financial expenses totalled \$17,609, compared to \$97,727 for the 2005 fiscal year, which represents a decrease of \$80,118. Net financial expenses consist mainly of interest income on short-term investments, interest charges on the long-term debt, and interest on notes payable and convertible loans. This variation is due to the reduction of interest charges on notes and convertible loans following the conversion of these financial instruments into class "A" shares of Wanted capital pursuant to the first quarter qualifying transaction, as well as to the increase in interest income from short-term investments.

Earnings (loss) before other items

For the 12-month period ended June 30, 2006, losses before other items totalled \$141,094, compared to earnings before other items totalling \$138,002 for the 2005 fiscal year, which represents a decrease of \$279,096. Despite the increase in sales, this decrease is largely due to investments in operational, commercial and administrative structures and resources to allow Wanted to sustain future sales growth.

Net loss

The net loss was \$674,841 for the 2006 fiscal year, compared to a net loss of \$498,050 for the 2005 fiscal year. This \$173,791 increase of the net loss is mainly due to the following factors:

- As mentioned above, during the 2006 fiscal year, the Company invested in the implementation of operational, commercial and administrative resources to support its commercial development and growth. These investments led to an additional \$279,096 in losses before other items, compared to the same period last year;
- Losses on exchange totalled \$43,561 for the fiscal year ended June 30, 2006, compared to \$29,955 in 2005, which represents an increase of \$13,606;
- During this period, \$345,935 was recorded in stock-based compensation. A total of \$303,600 was recorded as payment in shares for compensation that remained outstanding as of the date of the transaction. The difference of \$42,335 corresponds to the value attributed to the issuance of 1.3 million stock options.
- For the fiscal year ended June 30, 2005, the Company recorded an expense of \$606,097 in consideration of the return on class “C” shares, compared to an expense of \$141,251 recorded prior to the completion of the qualifying transaction in the first quarter of 2006. This represents a decrease of \$464,846 for this type of expense. Following the completion of the qualifying transaction on September 20, 2005, all class “C” shares of Wanted share capital were converted into class “A” common shares of Wanted capital, which eliminated this expenditure for the future.

The net loss per share for the fiscal year ended June 30, 2006 was \$0.037, compared to a net loss per share of \$0.050 for the 2005 fiscal year.

Main Quarterly Financial Data

(In Canadian dollars)	First Quarter \$	Second Quarter \$	Third Quarter \$	Fourth Quarter \$	Total \$
Year ended June 30, 2006					
Sales	394,185	447,635	469,813	597,662	1,909,295
EBITDA* before other items	115,282	(2,594)	(146,066)	5,687	(27,691)
Net loss	(394,447)	(28,640)	(196,952)	(51,802)	(671,841)
Net loss per share (basic and diluted)	(0.035)	(0.001)	(0.010)	(0.003)	(0.037)
Year ended June 30, 2005					
Sales	313,448	360,077	392,343	401,545	1,467,413
EBITDA* before other items	91,127	109,056	104,885	3,316	308,384
Net loss	(88,000)	(114,026)	(92,039)	(203,985)	(498,050)
Net loss per share (basic and diluted)	(0.009)	(0.011)	(0.009)	(0.020)	(0.050)

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

Financial results for the fourth quarter of 2006

During the fourth quarter ended as of June 30, 2006, Wanted recorded revenues of \$597,662, an increase of 49% over the \$401,545 recorded for the same period in 2005. The revenue recorded during the fourth quarter of 2006 further illustrates growth, representing a 27% increase over the \$469,813 in revenue recorded for the previous period, the third quarter of fiscal 2006.

The net loss for the fourth quarter of 2006 amounted to \$51,802 (or \$0.003 per share), compared to a net loss of \$203,985 (or \$0.020 per share) for the same period in 2005.

Cash Flow

As of June 30, 2006, the cash position totalled \$104,271, compared to \$225,166 at the beginning of the fiscal year. Wanted had no bank debt.

Operating activities

During the 2006 fiscal year, cash flow related to operating activities generated \$34,067, compared to \$216,800 last year, which represents a decrease of \$182,733. This variation is largely due to the \$173,791 increase of the net loss, the \$464,846 decrease of dividends on class "C" shares, the \$345,935 increase of stock-based compensation, and the \$76,547 positive fluctuation of working capital items, as compared to the previous year.

Investment activities

For the 2006 fiscal year, cash flow related to investment activities required cash assets totalling \$1,134,285, compared to \$63,777 for the previous year, which represents an increase of \$1,070,508. This difference is largely due to the acquisition of fixed assets, totalling \$235,115, required to meet the Company's technological needs, as compared to \$63,777 for the previous year, as well as to the receipt of corporate liquidity funds totalling \$799,223 following the qualifying transaction, and the investment of \$1,700,000 in surplus cash in short-term investments.

Financing activities

In 2006, cash flow generated by financing activities totalled \$979,324, as compared to an expenditure of \$3,893 in 2005 for these activities, which represents a positive difference of \$983,217. This increase is largely due to a cash inflow following the issue of convertible debentures in the amount of \$200,000, the issue of shares via the qualifying transaction, and the exercise of options in the amount of \$1,131,100, and is partially offset by share issue costs in the amount of \$335,538 and loan repayments in the amount of \$31,060.

For the fiscal year ended June 30, 2006, the net decrease in the cash position was \$120,894, compared to a net increase of \$149,130 for the last fiscal year.

Financial Situation

Assets

As of June 30, 2006, Wanted had \$1,804,271 in cash and short-term investments, compared to \$225,166 on June 30, 2005. This increase in the Company's liquid assets is essentially due to the completion of the qualifying transaction and to the public offering of shares issued on September 20, 2005.

As of June 30, 2006, short-term assets totalled \$2,242,285, compared to \$667,621 on June 30, 2005. This significant increase is also due to cash received following the completion of the qualifying transaction and the public offering of shares.

As of June 30, 2006, fixed assets and software assets totalled \$337,924, compared to \$244,266 on June 30, 2005. This increase is principally due to major investments in computer equipment to support growth and to improve customer service.

Deferred expenses of \$139,452 posted on June 30, 2005 represented professional fees relating to the completion of the qualifying transaction. These expenses were accounted for by reducing proceeds of the share offering at the time the shares were issued.

As of June 30, 2006, total assets were \$2,580,209, compared to \$1,051,339 on June 30, 2005, which represents an increase of \$1,528,870. As mentioned above, this increase is essentially due to cash received as a result of the qualifying transaction and the public offering of shares.

Liabilities

As of June 30, 2006, total liabilities were \$538,720, compared to \$7,708,285 on June 30, 2005, which represents a decrease of \$7,169,565. The following factors explain this decrease:

- Convertible notes payable, convertible loans and class "C" shares reported under liabilities on June 30, 2005 totalled \$5,406,185. All of these financial instruments were entirely converted into class "A" Wanted shares on the completion date of the qualifying transaction.
- Accumulated dividends as of June 30, 2005 totalling \$1,570,494, as well as accumulated dividends for the period from September 1, 2005 to September 20, 2005 totalling \$141,251, reported in the results for the first quarter of 2006, were cancelled and offset on the completion date of the qualifying transaction through the issue of 1,350,321 warrants convertible into 1,350,321 class "A" Company shares at a price of \$0.40 per share.

Contractual Obligations

	Required payments, by period			
	Total \$	Less than one year \$	2 to 3 years \$	4 to 5 years \$
Long-term debt	30,294	30,294	-	-
Convertible debenture	200,000	-	200,000	
Use of office space	245,920	79,040	105,580	61,300
Equipment rental	81,489	56,349	25,140	-

On September 20, 2005, the Company issued a convertible debenture to Innovatech Québec in exchange for \$200,000 in cash. This convertible debenture matures in September 2008 and bears interest at an annual rate of 10%. Until its due date, this debenture is convertible into class “A” shares on the basis of one class “A” Company share per \$0.60 of debenture capital. Interest is payable quarterly.

Shareholders’ equity

Capital stock

Authorized capital stock is distributed as follows:

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

Issued and fully paid	October 13, 2006 \$	June 30, 2006 \$	September 20, 2005 \$
16,975,922 class A shares as of September 20, 2005			
20,587,672 class A shares as of June 30, 2006			
20,687,672 class A shares as of October 13, 2006	9,118,156	9,090,446	7,695,582

As of June 30, 2006, shareholder equity totalled \$2,041,489, compared to a shareholder deficiency of \$6,656,946 on June 30, 2005. This increase in the Company’s shareholder equity in the amount of \$8,698,435 is largely due to an increase in capital stock in the amount of \$8,088,178, an increase in the contributed surplus in the amount of \$1,415,881, the recording of warrants totalling \$303,150 and stock options for \$134,025. These increases are also offset by an increase in the deficit in the amount of \$1,277,599.

The \$8,088,178 increase in capital stock is essentially due to three factors. First, an increase of \$5,406,185 in capital stock resulting from the conversion of convertible notes payable, convertible loans

and class “C” shares to class “A” shares pursuant to the completion of the qualifying transaction. Second, this increase is the result of the receipt of proceeds totalling \$1,856,922 following the offering of class “A” shares as part of the public offering of shares and the completion of the qualifying transaction. Third, a total of \$303,600 was recorded as payment in shares for compensation that remained outstanding as of the date of the transaction.

The increase in the contributed surplus is essentially due to gain, totalling \$1,408,595, from the waiving of dividends on class “C” shares on the date of the qualifying transaction.

As for the increase in the deficit, aside from the \$671,841 net loss recorded in the fiscal year ended June 30, 2006, the Company also incurred share issuance costs totalling \$605,758, which were posted to the deficit during the first quarter of the 2006 fiscal year.

Upon the closing of the qualifying transaction, 10,593,284 class “A” shares were escrowed; these shares cannot be transferred, hypothecated, pledged or otherwise disposed of without the authorization of the regulatory authorities. These shares will be released in stages over a period not exceeding 36 months beginning on September 20, 2005.

Warrants and stock options

Each warrant and stock option entitles the bearer to acquire one class “A” share of capital stock.

Quantity	October 13, 2006	June 30, 2006	September 20, 2005
Warrants	1,350,321	1,350,321	1,350,321
Stock options	1,430,000	2,262,500	-

Additional information on these instruments can be found in notes 14 and 15 of the Company’s financial statements for the fiscal year ended June 30, 2006.

Significant Accounting Policies

The Company’s consolidated financial statements are prepared in accordance with Canadian GAAP, which require management to make estimates and assumptions that affect the amounts of the assets and liabilities, the information provided regarding contingent assets and liabilities as of the date of the financial statements, as well as revenue and expenses for the periods in question. Items in the financial statements that require a greater use of estimates include: costing of options and warrants, provisions for bad debt expenses, and the evaluation of certain accrued liabilities. Though actual results may differ from these estimates, management does not consider that they will differ significantly from the announced results.

Changes in Accounting Policies

Class “C” shares, notes payable and convertible loans

On November 5, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants (CICA) issued abstract number 149 “Accounting for Retractable or Mandatorily Redeemable Shares”. This abstract provides guidelines for circumstances in which it could be permissible to classify retractable or mandatorily redeemable shares as stockholder equity rather than as liabilities. To meet these new standards, the Company presented all convertible notes payables, convertible loans and class “C” shares under the heading of liabilities. In addition, class “C” share dividends must be reported in the income statement. The company retroactively adopted these new standards.

Stock-based compensation

In 2003, the CICA modified its policy on stock-based compensation, requiring that companies measure and write off all stockholder equity instruments awarded to employees and administrators based on the fair value method for fiscal years beginning on or after January 1, 2004. The fair value of stock options awarded to employees and administrators is set on the award date using a stock option evaluation model and the remuneration expense is recorded over the share acquisition period. On July 1, 2004, the Company adopted the new standards retroactively, without restatement of the previous fiscal years, for options awarded since July 1, 2002. Previously, the Company did not record any expense for stock-based compensation. This modification resulted in an increase of the contributed surplus and the deficit totalling \$173,682.

Information Communication Controls and Procedures

The Company has implemented controls and procedures for the presentation of information to ensure that the financial information reported in this management analysis, in the consolidated financial statements, and in the associated quarterly documents is properly recorded, processed, summarized and reported to the audit committee and the Board of Directors. Management has a procedure to assess the efficiency of these controls and procedures and, for the fiscal period ended June 30, 2006, management is satisfied that it has adequately ensured the financial information is complete and reliable. All of the documents can be viewed on the SEDAR Web site (www.sedar.com).

Risks and Uncertainties

History of recent losses

The Company experienced operating losses during this fiscal year. The Company’s ability to meet its obligations by the established due dates and to finance its future activities depends on its ability to reach a level of profitability or on the support of shareholders and creditors. These financial statements were prepared based on the continuity of operations assumption.

Competition

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

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

Dependence on a single client

Revenues generated by Wanted's largest client represented approximately 16% of total revenues for the 2006 fiscal year (2% in 2005). Therefore, a reduction of the activity level with this client could have a negative impact on Wanted revenues.

Economy

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

Credit risk

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

There is no specific concentration of the credit risk. Generally speaking, in terms of accounts receivable, the Company does not require additional guarantees from its clients. However, credit is granted to clients only following an assessment of their solvency. The Company reassesses the credit of its clients on an ongoing basis and, should an account be deemed irrecoverable, a bad debt provision is established.

Exchange risk

Due to its US sales and the accounts receivable associated with these sales, the Company is exposed to exchange risk. The vast majority (88%) of the Company's sales are in US dollars.

The Company feels that it vigorously monitors these risks and uncertainties. In fact, in addition to investing in research and development to ensure constant product improvement and development, the Company continually monitors its competitive environment and its market evolution.

Perspectives

Increased sales are essential to the Company's profitability. To reach this goal, Wanted has hired new employees dedicated to product research and development, marketing and sales, as well as new employees for the finance department in order to sustain its growth.

As mentioned above, the Wanted's revenues come from renewable annual contracts that generate recurring revenues for the Company. Based on all of the contracts with our current clients and the renewal of these contracts over the next 12 months, Wanted has, as of the date of this report, contracts representing annualized revenues of 2.5 million 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 hypotheses. These prospective statements are subject to risks, uncertainties and other factors likely to influence the results, the performance and the achievements of the Company such that they could differ substantially from the results, performance and achievements prospective statements of this nature might imply. The Company is in no way obliged nor does it intend to revise these prospective statements on the basis of new information, future events, etc.

Further Information

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 this address: www.sedar.com.

Philippe Frenière
VP Finance and Chief Financial Officer

Management's Report

Wanted's management is responsible for the preparation, integrity and objectivity of the financial statements and other financial information presented in this annual report.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Wanted's policy is to maintain a system of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, accurate and reliable, and that our assets are appropriately accounted for and adequately safeguarded.

The Board of directors is responsible for ensuring that Management fulfills its financial reporting responsibilities and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities primarily through its Audit Committee.

The Audit Committee is appointed by the Board and is composed of outside directors. The Committee meets periodically with Management and external auditors to review accounting, auditing and internal controls procedures.

These financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The financial statements have been audited on behalf of shareholders by Raymond Chabot Grant Thornton LLP, the external auditors, in accordance with generally accepted auditing standards. The external auditors have full and free access to the Audit Committee.

David Tanguay
President and Chief Executive Officer

Philippe Frenière
Vice president finance and Chief Financial Officer

Montréal (Quebec) Canada, October 13, 2006

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

Quebec
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><u>104,271</u></u>	<u><u>225,166</u></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.

Wanted Technologies Corporation

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.