CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended
October 31, 2007 and 2006
(Restated June 13, 2008)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

WEBTECH WIRELESS INC.
CONSOLIDATED BALANCE SHEET
(Amounts in 000's)

	31-Oct-07 (unaudited) Restated *(Note 17)*	*31-Jul-07*
ASSETS		
Current		
Cash and cash equivalents	$ 16,222	$ 22,344
Accounts receivable, net of allowance	3,921	4,128
Inventory, net of allowance	7,460	7,640
Prepaid expenses and deposits	1,262	1,583
	28,865	35,695
Property and equipment *(Note 7)*	988	1,021
Property under development *(Note 7)*	243	-
Long term investments *(Note 8)*	5,400	-
	$ 35,496	$ 36,716
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 3,785	$ 3,533
Deferred lease inducement	107	110
Current portion of deferred revenue	218	260
	4,110	3,903
Long term		
Deferred revenue	90	-
	4,200	3,903
SHAREHOLDERS' EQUITY		
Share capital *(Note 9)*	60,268	60,142
Contributed surplus *(Note 10)*	973	858
Deficit	(29,945)	(28,187)
	31,296	32,813
	$ 35,496	$ 36,716

Commitments *(Note 14)*

APPROVED BY THE DIRECTORS:

"Signed"
Anwar Sukkarie

"Signed"
R.H. (Dick) Pinder

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Amounts in 000's except per share amounts)
(Unaudited)

	Three months ended	
	31-Oct-07 Restated *(Note 17)*	*31-Oct-06*
Revenue	$ 4,711	$ 3,907
Cost of goods sold	2,513	1,993
Gross profit	2,198	1,914
Expenses		
Marketing and sales	1,448	836
Research and development	834	635
General and Administration	870	443
Amortization	130	76
	3,282	1,990
Loss before other items	(1,084)	(76)
Other items		
Interest income	186	88
Foreign exchange (loss) gain	(260)	22
Loss in the fair value of long term investments *(Note 8)*	(600)	
Net (loss) income for the period	$ (1,758)	$ 34
Deficit, beginning of the period	(28,187)	(1,837)
Deficit, end of period	$ (29,945)	$ (1,803)
Basic and fully diluted (loss) earnings per share	$ (0.03)	$ -
Weighted average shares outstanding during the year	58,301,650	42,290,339

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in 000's)
(Unaudited)

	Three months ended	
	31-Oct-07	*31-Oct-06*
	Restated *(Note 17)*	
Operating Activities		
Net (loss) income for the period	$ (1,758)	$ 34
Add items not affecting cash:		
Amortization	130	76
Stock based compensation	154	45
Amortization of lease inducement	(3)	-
Loss in the fair value of lont term investments *(Note 8)*	600	-
	(877)	155
Changes in non-cash working capital items related to operations:		
Accounts receivable	207	(270)
Inventory	180	(1,910)
Prepaid expense and deposits	321	(718)
Accounts payable and accrued liabilities	252	(234)
Deferred Revenue	48	86
	131	(2,890)
Financing Activities		
Common shares issued, net of costs	87	265
	87	265
Investing Activities		
Purchase of intangible assets	-	(36)
Purchase of capital assets	(97)	(70)
Purchase of property under development	(243)	-
Increase in long term investment	(6,000)	-
	(6,340)	(106)
Net increase (decrease) in cash during the period	(6,122)	(2,731)
Cash and cash equivalents, beginning of period	22,344	10,640
Cash and cash equivalants, end of period	$ 16,222	$ 7,909
Cash and cash equivalents consist of:		
Cash	$ 16,222	$ 1,409
Term deposits	-	6,500
	$ 16,222	$ 7,909
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	-	-

Note 1 Nature of Operations

WebTech Wireless Inc. (the "Company" or "WebTech") is a British Columbia corporation having first been incorporated under the laws of the Yukon Territory on May 12, 1999. The Company was continued to Alberta on July 24, 2000 before its continuance to British Columbia on August 1, 2006.

WebTech develops, sells and provides subscriber services for location-based and telematics hardware and software.

The Company's shares are listed for trading on the TSX under the symbol WEW.

The financial statements and notes for the period ended October 31, 2007 have been restated as at June 6, 2007.

Note 2 Unaudited interim consolidated financial statements

The unaudited balance sheet at October 31, 2007 and the unaudited interim statements of operations, comprehensive loss and deficit and cash flows for the three months ended October 31, 2007 and 2006, have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), on the same basis as the audited financial statements of the Company for the year ended July 31, 2007. These interim financial statements include all adjustments, which, in the opinion of management, are necessary for the fair presentation of the results of operations for the interim periods presented. Results for the three months ended October 31, 2007 are not necessarily indicative of the results to be expected for the full year. These unaudited consolidated interim financial statements do not include all the disclosures required for annual financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended July 31, 2007, and the summary of significant accounting policies included therein.

Note 3 Change in Accounting Policy and Accounting Estimates

During the year ended July 31, 2007 the Company changed its policy for amortizing Property and Equipment from the declining balance to the straight-line method which in management's opinion better reflects the useful and realizable value of the assets throughout their life. In addition, the Company reviewed and revised the estimated useful life of certain categories of assets.

Note 4 Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WebTech Wireless Europe Ltd., which was incorporated in the United Kingdom (UK), and WebTech Wireless International Inc., which was incorporated in Barbados. All inter-company balances and transactions have been eliminated upon consolidation.

Accounting for comprehensive income

In January 2005, the CICA released a new Handbook Section 1530, "Comprehensive Income", effective for annual and interim periods beginning on or after October 31, 2006. This section establishes standards for reporting and disclosure of comprehensive income and its components. Comprehensive income includes net income and other comprehensive income which refers to unrealized gains and losses that under generally accepted accounting principles are excluded from net income. WebTech does not currently engage in any transactions that would result in the reporting of other comprehensive income and unrealized gains and losses on the Company's foreign currency contracts are included in net income. Accordingly, there has been no impact on the adoption of this standard on the Company's consolidated financial statements. The Company adopted CICA Handbook Section1530 effective August 1, 2007.

Accounting for financial instruments

Effective August 1, 2007, the Company adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", effective for annual and interim periods beginning on or after January 1, 2007. This section establishes standards that require all financial assets, except those classified as held to maturity, and derivative financial instruments, to be measured at fair value. The standard also requires that all financial liabilities be measured at fair value when they are available for sale or held for trading; otherwise, they are measured at amortized cost.

The Company has made the following classifications for its financial instruments:

- Cash and cash equivalents are classified as "Assets held for trading" and are measured at fair value at the end of each period with any resulting gains or losses recognized in operations;
- Accounts receivable are classified as "Loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurement of trade receivables is at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts;
- Long term investments are classified as "Held-for-Trading" and are accounted for at fair value;
- Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost.

The adoption of this new standard had no effect on the Company's financial statements.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenues and expenses are translated at exchange rates that approximate exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year. Foreign currency amounts held and reported by the Company's UK subsidiary, WebTech Wireless Europe Ltd, are translated according to the temporal method.

Use of Estimates

The preparation of these unaudited interim financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and callable short-term interest-bearing investments, with original maturities of three months or less.

Inventory

Inventory is comprised entirely of finished goods and is valued at the lower of cost and net realizable value and cost of sales is determined using the first-in, first-out method. The company purchases its inventory as finished goods from contract manufacturers and therefore carries no work in progress or raw materials inventory. Inventory is regularly reviewed for obsolescence and written down to realizable value when obsolescence occurs.

Revenue Recognition and Warranty Provision

The Company derives non-recurring revenue from the sale of vehicle tracking hardware and software and recurring revenue from vehicle tracking services. Revenue from hardware and software sales is recognized when persuasive evidence of an arrangement exists, the fee is fixed and determinable, the hardware and software is shipped and when management has determined that the revenue is collectible. Recurring revenue from tracking services is invoiced in advance and deferred and recognized on a monthly basis as the services are provided.

A one-year warranty on hardware sales is provided by the Company. A warranty reserve equal to 1% of hardware sales is provided in the accounts. The Company periodically reviews the adequacy of warranty reserves.

Property and Equipment

Property and equipment are recorded at cost when acquired. Amortization is charged on a straight-line basis using the following rates:

Computer equipment	25%
Computer software	50%
Furniture and fixtures	25%
Leasehold improvements	Term of lease
Office and other equipment	25%

Historically the Company followed a declining-balance method for calculating amortization which was changed during the year ended July 31, 2007 in favour of the straight-line method.

Research and Development

Research expenditures are expensed when incurred. Development costs are capitalized provided that certain criteria are met. For the quarters ended October 31, 2007 and 2006, research and development costs were fully expensed in the periods they were incurred.

Refundable scientific research tax credits are accrued at the time the related costs are incurred provided that their recovery is reasonably assured. Refundable tax credits arising from capital expenditures are applied to the cost of the assets and refundable credits arising from other expenditures are applied as a reduction of such expenses.

Stock-based Compensation

The fair value of granted share purchase options is calculated at the grant date and expensed over the vesting period of the share purchase options with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are calculated by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflect the dilution that would occur if potentially dilutive securities were exercised or converted into common shares at the beginning of the period. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method.

Note 5 Intangible Assets

On November 1, 2004 the Company entered into an agreement with Global Axxess Corporation Limited ("Axxess") under which it acquired all of the business of Globetrac Limited ("Globetrac"), a former reseller of the Company's products and services in Europe. Consideration for the acquisition consisted of: the forgiveness of accounts receivable due from Globetrac; the assumption of certain accounts payable of Globetrac; a commission equal to 6% of gross sales generated from customers and resellers of Globetrac at and after the transaction date subject to certain restrictions. Axxess shall be entitled to the commission for a period not to exceed 11 years from August 1, 2005. As the commission is payable on a contingent basis and calculated on future sales, it could not be reasonably determined at the acquisition date. The contingent consideration is therefore recorded when the amounts can be determined and is amortized on a straight line basis over the remainder of the estimated useful life (originally 11 years). For the year ended July 31, 2007, additional contingent consideration of $129 was allocated 100% to customer lists (2006 - $156).

Based on the Company's sales and operating experience in servicing the Globetrac accounts the Company has determined that the value of the acquired customer list has become impaired. The Company recorded a charge of $371 to reflect this impairment in the year ended July 31, 2007.

(Dollar amounts in 000's except per share amounts)

Note 6 Credit Facility

The Company has a credit facility of up to $1 million, subject to margin criteria, with a Canadian chartered bank. This facility bears interest at the bank's Canadian prime lending rate plus 1%. The credit facility is secured by a general charge on the assets of the Company. At October 31, 2007, the Company carried a nil balance on this facility (2006 - nil).

Note 7 Property and Equipment and Property Under Development

Property and Equipment

	31-Oct-07			31-Jul-07		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	$1,729	$869	$860	$1,640	$780	$860
Computer software	740	679	61	710	663	47
Furniture and fixtures	160	152	8	160	154	6
Leasehold improvements	89	84	5	124	57	67
Office and other equipment	176	122	54	161	120	41
	$2,894	**$1,906**	**$988**	**$2,795**	**$1,774**	**$1,021**

Property Under Development

Property under development comprises costs of design and construction of new leasehold premises. These costs will be reclassified to property and equipment and subject to amortization when they become available for use.

Note 8 Long-term Investments

At October 31, 2007, the Company held Canadian third party asset-backed commercial paper ("ABCP") issued by Structured Investment Trust III ("SIT") with an original cost of $6,000. At the date the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Service("DBRS"), the highest credit rating issued for commercial paper, and backed by R1 (High) rated assets and liquidity agreements. These investments matured during the second fiscal quarter of 2008 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. As a result, the Company has classified its ABCP as long-term assets within Investments after initially classifying them as Cash and cash equivalents.

On August 16, 2007, an announcement was made by a group representing banks, asset providers and major investors that they had agreed in principle to a long-term proposal and interim agreement to convert certain Canadian ABCP which had become frozen due to liquidity issues related to the ABCP market, into long-term floating rate notes maturing no earlier than the scheduled maturity of the underlying assets. The SIT ABCP in which the Company has invested has not traded in an active market since mid-August 2007 and there are currently no market quotations available for this ABCP.

On September 6, 2007, a pan-Canadian restructuring committee (the "Committee") consisting of major investors was formed. The Committee was created to propose a solution to the liquidity problem affecting the ABCP market and retained legal and financial advisors to oversee the proposed restructuring process. This Committee has proposed a restructuring which involves the issuance of replacement notes in exchange for the SIT ABCP.

(Dollar amounts in 000's except per share amounts)

The SIT ABCP in which the Company has invested continues to be rated R1 (High, Under Review with Developing Implications) by DBRS. A Standstill Agreement is in place amongst the holders of this ABCP that commits investors not to take any action that would precipitate an event of default by SIT. It is currently expected that the restructuring of the ABCP will be completed by the end of June 2008.

As this investment is classified as held-for-trading and is not supported by observable market price or rates, the Company determined the fair value of the SIT ABCP at October 31, 2007 using a probability weighted discounted cash flow approach considering the best available public information regarding market conditions and the Company's best estimates of reasonably possible outcomes that a market participant would consider for such investments. The approach was chosen because management has assumed the restructuring planned by the Committee would be successful and that the floating rate notes received in place of the SIT ABCP would perform like any other financial instrument. The following inputs were factored into the valuation technique:

Interest rate:	4.71 %
Weighted average discount rate:	5 %
Potential losses on principal:	Nil to 35 %

Interest rates and credit losses vary by each of the different long-term floating rate replacement notes that are expected to be issued as each has different credit ratings and risks. Interest rates and credit losses also vary by the different probable cash flow scenarios that have been modeled. Discount rates vary dependent upon the credit rating of the replacement long-term floating rate notes. Maturities vary by different replacement long-term floating rate notes as a result of the expected maturity of the underlying assets.

The Company has performed a sensitivity analysis on its probability weighted valuation model and determined that for every 200 bps increase in the weighted average discount rate, the valuation of the ABCP decreases by $81and for every 200 bps decrease in the weighted average discount rate, the valuation increases by $125.

The probability weighted cash flows analysis performed by the Company has resulted in an estimated fair value of the Company's investment in ABCP of $5,400. The reduction in the fair value of $600 compared to the cost of the ABCP was recorded as a charge to income. In view of the continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a further material change in the value of the Company's investment in ABCP and could impact the Company's near term earnings.

Note 9 Share Capital

Authorized: Unlimited common shares with no par value
Unlimited preferred shares issuable in series

Issued	Total number	Dollars (000s)
Balance July 31, 2006	**48,171,445**	**$ 21,105**
Issued for cash:		
Stock Options	1,824,303	843
Share purchase warrants[1]	206,896	300
Common Shares[2]	8,050,000	40,250
Transfer from contributed surplus on exercise of stock options	-	284
Transfer from contributed surplus on exercise of warrants	-	84
Less: Share issue costs		(2,724)
Balance July 31, 2007	**58,252,644**	**$ 60,142**
Issued for cash:		
Stock Options	151,632	87
Transfer from contributed surplus on exercise of stock options	-	39
Less: Share issue costs		-
Balance October 31, 2007	**58,404,276**	**$ 60,268**

1 The Company granted 206,986 special broker warrants to the underwriters of an April 11, 2006 private placement. The warrants were exercised and for no additional consideration were exchanged on June 6, 2006 into one share purchase warrant exercisable at $1.45 per common share. As at July 31, 2007, all of these share purchase warrants had been exercised.

2 On January 16, 2007, 8,050,000 common shares were issued at a price of $5.00 per common share for gross proceeds of $40,250. Issue costs related to the financing were $2,724.

Stock Option Plan

The Company has a Stock Option Plan from which it makes incentive awards to employees, directors and consultants. Under the current Stock Option Plan, the Company is authorized to grant up to a total of 8,020,135 share purchase options a figure which represents 13.7% of the Company's issued common shares. Share purchase options awarded under the Plan are granted on the 20th of each month at an exercise price equal to the market price of the Company's common shares on the date of the grant, normally the final trading day of any given month.

The Company's standard vesting schedule calls for vesting over three years with one-third of the options vesting on each of the first, second and third anniversaries of the grant date.

(Dollar amounts in 000's except per share amounts)

A summary of the activity in the Company's Stock Option Plan is presented below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding July 31, 2006	**3,534,657**	**$ 0.56**
Granted	1,900,900	$ 3.03
Expired or cancelled	(540,219)	$ 2.36
Exercised	(1,824,303)	$ 0.46
Options outstanding July 31, 2007	**3,071,035**	**$ 1.83**
Granted	696,500	$ 3.03
Expired or cancelled	(97,634)	$ 2.36
Exercised	(151,632)	$ 0.57
Options outstanding October 31, 2007	**3,518,269**	**$ 2.09**

As at October 31, 2007, the Company had 3,518,269 share purchase options outstanding entitling the holders to purchase one common share for each option held as follows:

Awards Outstanding By Range							
Exercise Price		Outstanding Awards			Exercisable Awards		
Low	High	Quantity	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$ 0.25	$ 0.38	100,000	0.92	$ 0.25	100,000	0.92	$ 0.25
$ 0.47	$ 0.71	941,834	1.47	$ 0.56	940,334	1.47	$ 0.56
$ 0.76	$ 1.14	485,834	3.31	$ 0.94	205,993	3.31	$ 0.91
$ 1.20	$ 1.80	141,501	3.57	$ 1.38	34,830	3.57	$ 1.41
$ 2.55	$ 3.83	1,539,500	4.82	$ 2.83	133,165	4.82	$ 2.63
$ 5.50	$ 6.98	309,600	4.26	$ 5.77	-	-	$ -
$ 0.25	**$ 6.98**	**3,518,269**	**3.50**	**$ 2.09**	**1,414,322**	**2.04**	**$ 0.81**

During the quarter ended October 31, 2007 stock based compensation expense was $154 (October 31, 2007 - $43) and is included in operating expenses of the related department on the statement of operations.

(Dollar amounts in 000's except per share amounts)

The following assumptions were used in calculating the Company's stock based compensation expense using the Black-Scholes model:

	For the three months ended October 31	
	2007	**2006**
Risk free rate	3.00%	2.00%
Dividend yield	0%	0%
Expected volatility	81%	58%
Weighted average expected option life	3 years	3 years
Weighted average fair value of options granted	$ 1.69	$ 0.53
Total options outstanding	3,518,269	3,534,657

Note 10 Contributed Surplus

Balance July 31, 2006	**$ 574**
Stock options	652
Stock options exercised	(284)
Share purchase warrants exercised[1]	(84)
Balance July 31, 2007	**$ 858**
Stock options	154
Stock options exercised	(39)
Balance October 31, 2007	**$ 973**

1 Share purchase warrants were granted in connection with private placement of Special Warrants on April 11, 2006. As at October 31, 2007 there are no warrants outstanding

Note 11 Related Party Transactions

The Company was charged the following amounts by directors and officers who are related by virtue of their ownership positions in the Company or by companies with directors in common.

	For the three months ended October 31	
	2007	**2006**
Administration		
Consulting fees	$ 100	$ 352
Directors fees	-	-
Professional fees	-	16
Share Issue Costs	-	64
Research and development	100	322
Total	**$ 200**	**$ 754**

At October 31, 2007, accounts payable and accrued liabilities included $12 (July 31, 2007 - $22) due to directors and officers of the Company.

(Dollar amounts in 000's except per share amounts)

During the quarter ended October 31, 2007, directors of the company exercised nil (October 31, 2006 – 300,000) incentive stock options at a weighted average price of nil (October 31, 2006 – $0.25) per common share.

Note 12 Segmented Information

The Company operates in a single business segment - telematics, and has sales in Canada, the United States of America, Europe, South America and in other areas of the world. Revenues can be split into two categories: non-recurring hardware and software sales and recurring service revenues. As at October 31, 2007, 94% of the Company's property and equipment are located in Canada and 6% are located in Europe and are held by the Company's wholly owned subsidiary, WebTech Wireless Europe Ltd. (October 31, 2006 – 88.4% and 11.6% respectively).

Revenue by geographic segment is as follows:

	For the three months ended October 31	
	2007	**2006**
Canada	$ 1,176	$ 560
United States of America	2,096	1,351
Europe	865	595
South America	284	1,080
Other	290	321
	$ 4,711	**$ 3,907**

Revenue by category is as follows:

	For the three months ended October 31	
	2007	**2006**
Non-Recurring Hardware and Software Revenue	3,208	2,762
Recurring Revenue	1,503	1,145
Total Revenue	**$ 4,711**	**$ 3,907**

Note 13 Financial Instruments

a) Fair Value of Financial Instruments:

The Company's financial instruments consist of cash and cash equivalents, long term investments, accounts receivable and accounts payable and accrued liabilities The fair value of these financial instruments, other than long term investments, approximates their carrying amount due to their short term nature. The fair value of long term investments is disclosed in note 8.

b) Foreign Currency Risk:

During the quarter ended October 31, 2007, 57% of the Company's revenue was in US dollars and 18% was in UK pounds (2006 - 70% and 20%). The Company periodically estimates its obligations payable in these foreign currencies and converts excess foreign funds into Canadian currency. The Company does not currently use derivative instruments. At October 31, 2007, the Company held net current monetary assets in US dollars and in UK pounds equal to $5,017 and $1,885 respectively (2006: $6,542 US dollars and $2,019 UK pounds)

(Dollar amounts in 000's except per share amounts)

c) Credit Concentration and Risk:

The Company provides credit to its clients in the normal course of operations. The Company estimates, on a continuing basis, the probable losses and records a provision for losses based on the estimated realizable value. At October 31, 2007, accounts receivable from three customers comprised an aggregate of 30.4% of total accounts receivable (2006 – 57.6%).

No individual customer comprised greater than 10% of sales.

Note 14 Commitments

The Company has entered into a commitment to purchase inventory from a supplier with a total estimated value of $2,236. An amount of $1,677 has been recorded as an accrued liability being the difference between the cost of the inventory under contract and its fair market value as estimated by management. This liability will be reduced when the related inventory is delivered by the supplier.

The Company has entered into leases until 2017 for premises with the following total minimum annual (or cumulative) payments:

FY2008	$ 230
FY2009	322
FY2010	350
FY2011	373
FY2012 through FY2017	2,284
Total	**$ 3,559**

Note 15 Litigation

On May 11, 2007 the Company was served with notice of a lawsuit filed in the Eastern District of Texas by Lunar Eye Inc., alleging patent infringement by the Company. This lawsuit has since been scheduled for trial in November 2008.

The Company has filed for and been granted a Request for Re-examination of the underlying patent with the US Patent and Trademark Office ("USPTO").

The Company has reviewed the lawsuit and believes it to be without merit, and has taken the necessary steps to defend itself against the allegations contained therein at a trial currently scheduled for November 2008.

Note 16 Subsequent Event

Subsequent to October 31, 2007, the Company issued 25,560 common shares pursuant to the exercise of incentive stock options at a weighted average price of $0.94 per common share.

(Dollar amounts in 000's except per share amounts)

Note 17 Restatement of Interim Consolidated Financial Statements

The Company holds SIT ABCP as described in note 8. The Company now believes that measurement and presentation of the Company's investment in ABCP as cash and cash equivalents for the quarter ended October 31, 2007 was incorrect and that certain balance sheet amounts were misstated in its financial statements for the period ended October 31, 2007. The Company has corrected these errors and restated the unaudited consolidated financial statements for the three months ended October 31, 2007.

The net effect of the restatement on the unaudited consolidated balance sheet of the Company as at October 31, 2007 is to reclassify certain balance sheet amounts, to reverse the recognition of certain accrued interest income and to record a loss in fair value of the ABCP.

The dollar effect of this error on the accounts involved is found in the table below and can be explained as follows:

- The carrying value of the investment in SIT ABCP was adjusted to its fair value.
- Cash and Cash Equivalents have been reduced to reflect the reclassification of the investment in ABCP to a long-term investment.
- Accounts Receivable has been adjusted for amounts originally accrued as interest income and booked as earned income. As a result of the restatement these amounts do not qualify as a receivable.
- Long-term Investment was created due to the reclassification of the ABCP investment from short term to long term.
- Deficit has been adjusted to reflect the net effect of the adjustments made to Statement of Operations as described further in this note.

Summary of Restatement - Consolidated Balance Sheet	**Originally Reported October 31, 2007**	**Restatement**	**Restated Amount October 31, 2007**
Assets			
Cash and Cash Equivalents	22,222	(6,000)	16,222
Accounts Receivable	3,996	(75)	3,921
Long-term Investment	0	5,400	5,400
Total Assets	26,218	(675)	25,543
Shareholders' Equity			
Deficit	(29,270)	(675)	(29,945)
Total Shareholders' Equity	(29,270)	(675)	(29,945)

Interest Income was reduced to reflect the reversal of the accrued interest income originally reported as earned. The Company now has no interest accrued from the ABCP investment.

A new account, "Loss on fair value of long term investments" has been created to reflect the write down of the long-term investment.

(Dollar amounts in 000's except per share amounts)

Gross Profit is decreased by the total of the two figures above. As there were no other income statement effects, this figure carries to the balance sheet as an adjustment to Deficit.

Summary of Restatement - Consolidated Statement of Operations - 3 months ended October 31, 2007

	Originally Reported Three months ended 31-Oct-07	Restatement	Restated Amount Three months ended 31-Oct-07
Interest Income	261	(75)	186
Loss on fair value of long term investments	0	(600)	(600)
Total restated expenses		675	
Net Income effect for the three months ended October 31, 2007		675	
Basic and fully diluted (loss) earnings per share	$ (0.02)	$ (0.01)	$ (0.03)