



# **CONSOLIDATED FINANCIAL STATEMENTS**

For the Three and Six Months Ended  
January 31, 2008 and 2007  
(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)

	<i>31-Jan-08</i>	<i>31-Jul-07</i>
	<i>(unaudited)</i>	
	Restated	
	<i>(Note 16)</i>	
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 13,028	\$ 22,344
Accounts receivable, net of allowance	4,819	4,128
Inventory, net of allowance	8,413	7,640
Prepaid expenses and deposits	864	1,583
	27,124	35,695
Property and equipment <i>(Note 7)</i>	1,564	1,021
Property under development <i>(Note 7)</i>	41	-
Long term investments <i>(Note 8)</i>	4,500	-
	\$ 33,229	\$ 36,716
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 4,281	\$ 3,533
Deferred lease inducement	103	110
Current portion of deferred revenue	359	260
	4,743	3,903
Long term		
Deferred revenue	114	-
	4,857	3,903
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 9)</i>	59,730	60,142
Contributed surplus <i>(Note 10)</i>	1,296	858
Deficit	(32,654)	(28,187)
	28,372	32,813
	\$ 33,229	\$ 36,716

Commitments *(Note 14)*

APPROVED BY THE DIRECTORS:

"Signed"  
\_\_\_\_\_  
Anwar Sukkarie

"Signed"  
\_\_\_\_\_  
R.H. (Dick) Pinder

The accompanying notes form an integral part of these financial statements.

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<u>31-Jan-08</u> Restated <i>(Note 16)</i>	<u>31-Jan-07</u>	<u>31-Jan-08</u> Restated <i>(Note 16)</i>	<u>31-Jan-07</u>
Revenue	\$ 5,209	\$ 3,639	\$ 9,920	\$ 7,546
Cost of goods sold	<u>2,414</u>	<u>1,944</u>	<u>4,927</u>	<u>3,937</u>
Gross profit	<u>2,795</u>	<u>1,695</u>	<u>4,993</u>	<u>3,609</u>
Expenses				
Marketing and sales	1,580	1,175	3,028	2,011
Research and development	912	875	1,746	1,510
General and Administration	1,116	782	1,986	1,225
Amortization	<u>145</u>	<u>89</u>	<u>275</u>	<u>165</u>
	3,752	2,921	7,034	4,911
Loss before other items	<u>(957)</u>	<u>(1,226)</u>	<u>(2,041)</u>	<u>(1,302)</u>
Other items				
Interest income	146	87	332	175
Foreign exchange gain (loss)	36	746	(224)	768
Loss in the fair value of long term investments <i>(Note 8)</i>	<u>(900)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>
Net loss for the period	<u>\$ (1,675)</u>	<u>\$ (393)</u>	<u>\$ (3,433)</u>	<u>\$ (359)</u>
Deficit, beginning of the period	(29,945)	(1,803)	(28,187)	(1,837)
Loss and Comprehensive Loss for the period	(1,675)	(393)	(3,433)	(359)
Shares repurchased - excess of purchase price over carrying val	(1,034)	-	(1,034)	-
Deficit, end of period	<u>\$ (32,654)</u>	<u>\$ (2,196)</u>	<u>\$ (32,654)</u>	<u>\$ (2,196)</u>
Accumulated other comprehensive earnings				
Balance - beginning and end of period	\$ -	\$ -	\$ -	\$ -
Basic and fully diluted (loss) earnings per share	\$ (0.03)	\$ (0.01)	\$ (0.06)	\$ (0.01)
Weighted average shares outstanding during the year	58,251,293	49,261,516	58,264,656	45,589,543

The accompanying notes form an integral part of these financial statements.

**WEBTECH WIRELESS INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in 000's)  
(Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<u>31-Jan-08</u>	<u>31-Jan-07</u>	<u>31-Jan-08</u>	<u>31-Jan-07</u>
	Restated (Note 16)		Restated (Note 16)	
<b>Operating Activities</b>				
Net loss for the period	\$ (1,675)	\$ (393)	\$ (3,433)	\$ (359)
Add items not affecting cash:				
Amortization	145	89	275	165
Stock based compensation	340	128	494	171
Amortization of leasehold inducement	(4)	-	(7)	-
Loss in the fair value of long term investments (Note 8)	900	-	1,500	-
	<u>(294)</u>	<u>(176)</u>	<u>(1,171)</u>	<u>(23)</u>
Changes in non-cash working capital items related to operations:				
Accounts receivable	(898)	(788)	(691)	(1,058)
Inventory	(953)	(1,847)	(773)	(3,757)
Prepaid expense and deposits	398	(3,528)	719	(4,246)
Inventory shipped (unrecognized revenue)	-	(3,557)	-	(3,557)
Accounts payable and accrued liabilities	496	764	748	531
Deferred Revenue	165	499	213	585
	<u>(1,087)</u>	<u>(8,633)</u>	<u>(956)</u>	<u>(11,525)</u>
<b>Financing Activities</b>				
Common shares issued, net of costs	66	37,994	153	38,260
Shares repurchased (Note 8)	(1,655)	-	(1,655)	-
Loan receivable	-	(2,387)	-	(2,387)
	<u>(1,589)</u>	<u>35,607</u>	<u>(1,502)</u>	<u>35,873</u>
<b>Investing Activities</b>				
Purchase of intangible assets	-	(19)	-	(54)
Purchase of capital assets	(478)	(352)	(575)	(422)
Purchase of property under development	(41)	-	(284)	-
Increase in long term investment	-	-	(6,000)	-
	<u>(519)</u>	<u>(371)</u>	<u>(6,859)</u>	<u>(476)</u>
Net increase (decrease) in cash during the period	(3,195)	26,603	(9,317)	23,872
Cash and cash equivalents, beginning of period	16,222	7,909	22,344	10,640
Cash and cash equivalents, end of period	<u>\$ 13,028</u>	<u>\$ 34,511</u>	<u>\$ 13,028</u>	<u>\$ 34,511</u>
Cash and cash equivalents consist of:				
Cash	\$ 13,028	\$ 31,511	\$ 13,028	\$ 31,511
Term deposits	-	3,000	-	3,000
	<u>\$ 13,028</u>	<u>\$ 34,511</u>	<u>\$ 13,028</u>	<u>\$ 34,511</u>
<b>Supplemental cash flow information</b>				
Interest paid	\$ 1	\$ -	\$ 1	\$ -
Income taxes paid	-	-	-	-
<b>Non-cash Transactions</b>				
Transfer of property under development to property and equipment	\$ 243	\$ -	\$ 243	\$ -

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**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 January 31, 2008 have been restated as at June 6, 2007.

**Note 2 Unaudited interim consolidated financial statements**

The unaudited balance sheet as at January 31, 2008 and the unaudited interim statements of operations, comprehensive loss and deficit and cash flows for the three and six months ended January 31, 2008 and 2007 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 and six months ended January 31, 2008 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 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 and is currently inactive. All inter-company balances and transactions have been eliminated upon consolidation.

**Accounting for comprehensive income**

Effective August 1, 2007, the Company adopted CICA Handbook Section 1530, "Comprehensive Income". 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. Accordingly, there has been no impact on the adoption of this standard on the Company's consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**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 historical 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 period in the statement of operations. Foreign currency amounts held and reported by the Company's UK subsidiary, WebTech Wireless Europe Ltd, are translated according to the temporal method as it is an integrated operation.

**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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**Inventory**

Inventory is comprised primarily of parts and finished goods and is valued at the lower of cost and net realizable value. 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 generally 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 location-based and telematics hardware and software. 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 12-month trailing 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%

**Research and Development**

Research expenditures are expensed when incurred. Development costs are capitalized provided that certain criteria are met. To date, no amounts have been capitalized.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**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 4 Recent Canadian GAAP Announcements**

The CICA has issued two new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The company will adopt the requirements commencing in the year ended July 31, 2009 and is considering the impact this will have on the company's financial statements. These new standards are described below

**Section 1535 – Capital Disclosures**

This Section establishes standards for disclosing information about the Company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital,
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

**Section 3031 - Inventories**

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**Section 3862 – Financial Instruments – Disclosures**

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (i) designating financial assets and liabilities as held for trading;
- (ii) designating financial assets as available-for-sale; and
- (iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

**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 a commission equal to 6% of gross sales from customer and resellers of Globetrac, for a period not to exceed 11 years from August 1, 2005. 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, specifically Q4 2007. Commissions paid under the acquisition agreement are treated as expenses as incurred.

**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 January 31, 2008, the Company carried a nil balance on this facility (2007 - nil).

**Note 7 Property and Equipment and Property Under Development**

**Property and Equipment**

	31-Jan-08			31-Jul-07		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$1,752	\$953	\$799	\$1,640	\$780	\$860
Computer software	743	693	50	710	663	47
Furniture and fixtures	295	167	128	160	154	6
Leasehold improvements	508	8	500	124	57	67
Office and other equipment	218	131	87	161	120	41
	<b>\$3,517</b>	<b>\$1,952</b>	<b>\$1,565</b>	<b>\$2,795</b>	<b>\$1,774</b>	<b>\$1,021</b>

**Property Under Development**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**Note 8 Long-term Investments**

At January 31, 2008, 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.

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 January 31, 2008 using a probability weighted discounted cash flow approach considering the best available public information regarding market conditions and the Company's best estimates of reasonable 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 long-term floating rate replacement 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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the ABCP decreases by \$71 and for every 200 bps decrease in the weighted average discount rate, the valuation increases by \$101.

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 \$4,500 at January 31, 2008. The reduction in the fair value of \$900 compared to the adjusted value in the first quarter was recorded as a charge to income in the second quarter of 2008. 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

<b>Issued</b>	<b>Total number</b>	<b>Dollars (000s)</b>
<b>Balance July 31, 2006</b>	<b>48,171,445</b>	<b>\$ 21,105</b>
Issued for cash:		
Stock Options	1,824,303	843
Share purchase warrants <sup>1</sup>	206,896	300
Common Shares <sup>2</sup>	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)
<b>Balance July 31, 2007</b>	<b>58,252,644</b>	<b>\$ 60,142</b>
Issued for cash:		
Stock Options	312,459	154
Transfer from contributed surplus on exercise of stock options	-	56
Less: Common shares returned to treasury	(602,016)	(620)
Less: Share issue costs		(1)
<b>Balance January 31, 2008</b>	<b>57,963,087</b>	<b>\$ 59,731</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

On August 23, 2007, the Company announced a normal course issuer bid through the facilities of the Toronto Stock Exchange to repurchase for cancellation up to 1.2 million Common Shares (2.06%). The bid commenced on August 27, 2007 and expires on August 26, 2008.

During the quarter ended January 31, 2008, the Company repurchased and cancelled a total of 602,016 Common shares under its normal course issuer bids for a total cash consideration of \$1.65 million. The cash consideration exceeded the carrying value of the shares repurchased by \$1.03 million, which was charged to deficit with the \$0.62 million balance booked to share capital.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**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 13.8% of the Company's issued common shares. Share purchase options awarded under the Plan are granted on the 20<sup>th</sup> 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.

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

	Number of Shares	Weighted Average Exercise Price
<b>Options outstanding July 31, 2006</b>	<b>3,534,657</b>	<b>\$ 0.56</b>
Granted	1,900,900	\$ 3.03
Expired or cancelled	(540,219)	\$ 2.36
Exercised	(1,824,303)	\$ 0.46
<b>Options outstanding July 31, 2007</b>	<b>3,071,035</b>	<b>\$ 1.83</b>
Granted	1,197,600	\$ 3.13
Expired or cancelled	(122,467)	\$ 3.76
Exercised	(312,459)	\$ 0.50
<b>Options outstanding January 31, 2008</b>	<b>3,833,709</b>	<b>\$ 2.28</b>

As at January 31, 2008, the Company had 3,833,709 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
\$ 0.47	\$ 0.71	914,834	1.21	\$ 0.56	914,834	1.21	\$ 0.56
\$ 0.76	\$ 1.14	456,674	3.06	\$ 0.94	207,167	3.02	\$ 0.93
\$ 1.20	\$ 1.80	136,501	3.32	\$ 1.38	38,664	3.37	\$ 1.37
\$ 2.55	\$ 3.83	2,023,100	4.66	\$ 2.83	172,998	4.56	\$ 2.66
\$ 5.50	\$ 6.98	302,600	4.01	\$ 5.77	76,424	3.98	\$ 5.50
<b>\$ 0.25</b>	<b>\$ 6.98</b>	<b>3,833,709</b>	<b>3.55</b>	<b>\$ 2.28</b>	<b>1,410,087</b>	<b>2.10</b>	<b>\$ 1.16</b>

During the six months ended January 31, 2008 stock based compensation expense was \$494 (January 31, 2007 (amended and restated) - \$173) and is included in operating expenses of the related department on the statement of operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

(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 six months ended January 31	
	2008	2007
Risk free rate	3.00%	3.00%
Dividend yield	0%	0%
Expected volatility	89%	63%
Weighted average expected option life	3 years	3 years
Weighted average fair value of options granted	\$ 1.57	\$ 1.35
Total options outstanding	3,833,709	3,534,657

**Note 10 Contributed Surplus**

<b>Balance July 31, 2006</b>	<b>\$ 574</b>
Stock options	652
Stock options exercised	(284)
Share purchase warrants exercised <sup>1</sup>	(84)
<b>Balance July 31, 2007</b>	<b>\$ 858</b>
Stock options	494
Stock options exercised	(56)
<b>Balance January 31, 2008</b>	<b>\$ 1,296</b>

<sup>1</sup> Share purchase warrants were granted in connection with private placement of Special Warrants on April 11, 2006. As at January 31, 2008 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, there are no amounts owing to or from related parties.

	For the three months ended January 31		For the six months ended January 31	
	2008	2007 (amended and restated)	2008	2007 (amended and restated)
Administration				
Consulting fees	\$ 30	\$ 149	\$ 60	\$ 145
Professional fees	-	-	-	10
Research and development	30	107	60	166
<b>Total</b>	<b>\$ 60</b>	<b>\$ 256</b>	<b>\$ 120</b>	<b>\$ 321</b>

During the six months ended January 31, 2008, directors of the company exercised 100,000 (January 31, 2007 (amended and restated) – 400,000) incentive stock options at a weighted average price of \$0.25 (January 31, 2007 (amended and restated) – \$0.35) per common share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

**Note 12 Segmented Information**

The Company operates in a single business segment - telematics, and has sales in Canada, the United States, 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 January 31, 2008, 92% of the Company's property and equipment are located in Canada and 8% are located in Europe and are held by the Company's wholly owned subsidiary, WebTech Wireless Europe Ltd. (January 31, 2007 (amended and restated) – 96.4% and 3.7% respectively).

*Revenue by geographic segment is as follows:*

	For the three months ended January 31		For the six months ended January 31	
	2008	2007 (amended and restated)	2008	2007 (amended and restated)
Canada	\$ 2,147	\$ 1,011	\$ 3,323	\$ 1,571
United States of America	1,565	1,514	3,661	2,865
Europe	974	545	1,840	1,140
South America	205	439	489	1,519
Other	318	130	607	451
	<b>\$ 5,209</b>	<b>\$ 3,639</b>	<b>\$ 9,921</b>	<b>\$ 7,546</b>

*Revenue by category is as follows:*

	For the three months ended January 31		For the six months ended January 31	
	2008	2007 (amended and restated)	2008	2007 (amended and restated)
Non-Recurring Hardware and Software Revenue	\$ 3,732	2,206	\$ 6,940	4,969
Recurring Service Revenue	1,477	1,433	2,980	2,577
	<b>\$ 5,209</b>	<b>\$ 3,639</b>	<b>\$ 9,920</b>	<b>\$ 7,546</b>

**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 six months ended January 31, 2008, 48% of the Company's revenue was in US dollars and 19% was in UK pounds (2007 (amended and restated) - 64% and 15%). 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 January 31, 2008, the Company held net current monetary assets in US dollars and in UK pounds equal to \$1,744 and \$2,475 respectively (2007 (amended and restated): \$6,887 US dollars and \$1,774 UK pounds)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

(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 January 31, 2008, accounts receivable from four customers comprised an aggregate of 39.1% of total accounts receivable (2007 (amended and restated) – 38.2%).

No individual customer comprised greater than 10% of sales.

**Note 14 Commitments**

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

FY2008	\$ 205
FY2009	322
FY2010	350
FY2011	373
FY2012 through FY2017	2,284
<b>Total</b>	<b>\$ 3,534</b>

**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 Restatement of Interim Consolidated Financial Statements**

The Company holds SIT ABCP, as described in note 8. The Company now believes that the measurement and presentation of the Company's investment in ABCP for the quarter ended January 31, 2008, as previously reported, was incorrect and that certain balance sheet amounts were misstated in its financial statements for the period ended January 31, 2008. The Company has corrected these errors and restated the unaudited consolidated financial statements for the three and six months ended January 31, 2008.

The net effect of the restatement on the unaudited consolidated balance sheet of the Company as at January 31, 2008 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

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.
- 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.

<b>Summary of Restatement - Consolidated Balance Sheet</b>			
	<b>Originally Reported January 31, 2008</b>	<b>Restatement</b>	<b>Restated Amount January 31, 2008</b>
<b>Assets</b>			
Cash and Cash Equivalents	19,168	(6,140)	13,028
Long-term Investments	0	4,500	4,500
Total Assets	<u>19,168</u>	<u>(1,640)</u>	<u>17,528</u>
<b>Shareholders' Equity</b>			
Deficit	(31,013)	(1,641)	(32,654)
<b>Total Shareholders' Equity</b>	<u>(31,013)</u>	<u>(1,641)</u>	<u>(32,654)</u>

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 investment" has been created to reflect the write down of the long-term investment.

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.

<b>Summary of Restatement - Consolidated Statement of Operations - 3 months ended January 31, 2008</b>			
	<b>Originally Reported Three months ended 31-Jan-08</b>	<b>Restatement</b>	<b>Restated Amount Three months ended 31-Jan-08</b>
Interest Income	212	(66)	146
Impairment of Investments	0	(900)	(900)
Total restated expenses		<u>966</u>	
<b>Net Income effect for the three months ended January 31, 2008</b>		<u>966</u>	
<b>Basic and fully diluted (loss) earnings per share</b>	\$ (0.01)	\$ (0.02)	\$ (0.03)

**WEBTECH WIRELESS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2008 and 2007 (unaudited)

(Restated June 13, 2008)

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

<b>Summary of Restatement - Consolidated Statement of Operations - 6 months ended January 31, 2008</b>			
	<b>Originally Reported Nine months ended 31-Jan-08</b>	<b>Restatement</b>	<b>Restated Amount Nine months ended 31-Jan-08</b>
Interest Income	473	(141)	332
Loss on fair value of long term investment	0	(1,500)	(1,500)
Total restated expenses		<u>1,641</u>	
<b>Net Income effect for the nine months ended January 31, 2008</b>		<u><u>1,641</u></u>	
<b>Basic and fully diluted (loss) earnings per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>