



CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended April 30, 2006 and 2005

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MANAGEMENT'S DISCUSSION & ANALYSIS INTERIM REPORT

Quarter ended April 30, 2006

This document is dated June 7, 2006.

(Dollars expressed in 000's)

Certain statements in this document, including statements which may contain words such as "could", "expect", "believe", "will", and similar expressions, and statements related to matters that are not historical facts, are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out herein, which may cause the actual results, performances, or achievements of the Corporation to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

These forward-looking statements relate to, among other things, financial results, product plans, timing, content and pricing of products, market and industry expectations, the wireless communications industry, the mobile fleet industry, general economic, business and political conditions, loss or addition of key employees, stock market volatility, changes in laws and regulations, the Corporation's ability to compete successfully, adapt to technological advances, changing industry standards and other factors.

All forward-looking statements in this document are based on management's beliefs, intentions, and expectations with respect to future events and are subject to certain risks, uncertainties, and assumptions as of the date of this release. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Corporation cannot give assurance that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance. The Corporation assumes no obligation to update its forward-looking statements to reflect subsequent information or events.

The financial data contained in this report and in the Consolidated Financial Statements of the Company for the Three and Nine Months Ended April 30, 2006 have been prepared in accordance with Canadian Generally Accepted Accounting Principles and are stated in Canadian Dollars.

This interim report has been prepared in accordance with requirements for interim Management Discussion and Analysis. Certain information that has not substantially changed from information disclosed in the annual Management Discussion and Analysis has not been duplicated in this report. The following discussion and analysis should be read in conjunction with (i) the consolidated financial statements of the Company for the three and nine months ended April 30, 2006, (ii) management discussion and analysis for the year ended July 31, 2005 dated October 17, 2005, (iii) the Annual Information Form of the Company dated April 18, 2006, and (iv) the consolidated financial statements of the Company for the year ended July 31, 2005. The foregoing is available at www.sedar.com.

INDUSTRY AND ECONOMIC FACTORS

Industry

Industry factors are substantially unchanged from industry factors disclosed in the Company's annual Management Discussion and Analysis

Economic

WebTech's revenue and net income are affected by fluctuations in the exchange rates of the Canadian dollar, the US dollar and UK Pounds Sterling. For the nine months ended April 30, 2006, approximately 67% of revenue was based in US dollars and 22% of revenue was based in UK Pounds Sterling. For the nine months ended April 30, 2005, approximately 61% of revenue was based in US dollars and 18% revenue was based in UK Pounds Sterling. The exchange rate for US Dollars at April 30, 2006 was 0.8926 compared with 0.7946 on April 30, 2005. The exchange rate for UK Pounds Sterling at April 30, 2006 was approximately 0.4900 compared with 0.4162 on April 30, 2005. The relative strengthening in the Canadian dollar impacts revenues and accounts receivable negatively, however this is partially offset by a favorable impact on expenses and accounts payable.

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RESULTS FROM OPERATIONS

The Company has realized significant revenue growth over the same period from the prior year, despite downward pressure from the decline in US Dollars and UK Pounds Sterling.

Revenue

In the third quarter of fiscal 2006, the Company achieved revenue growth of 62% over the third quarter of the prior year as the Company continued its expansion into the personal automotive market and continued to expand its distribution channels and strengthen its penetration of existing markets. The Company expanded in the Middle East and in Europe and further established its presence in the personal automotive market, through orders from its existing reseller network.

For the nine months ended April 30, 2006, the Company realized revenue growth of 61% over the comparable prior year period, due primarily to the launch of its personal automotive division, and due to a general increase in sales to customers with larger fleet sizes.

Growth of 34% in third quarter subscriber revenues reflects the Company's ability to attract and retain customers. Subscriber sales for the quarter decreased by 6% over the preceding quarter ended January 31, 2006 due to unusually high revenues in the preceding quarter for seasonal customers. Prior to these adjustments, the Company realized a 5% increase in subscriber revenues over the preceding quarter. The Company continues to maintain a high customer retention rate. As the Company increases locator sales, subscriber revenues continue to increase. However due to the increase in order quantity and the increase in reseller orders, there may be a time lag to allow for training, installation and activation of locators. For the nine month period, subscriber revenues have increased by 40% over the prior year.

The Company anticipates that it will continue to exhibit strong growth due to increased market demand for wireless fleet services and due to the Company's increased market penetration. The Company expects to realize significant growth from its expansion into the Personal Location Based Services and Automotive market following the deployment of its Quadrant™ solution into Brazil for Volkswagen. During the quarter the Company shipped 2,200 units to a distributor for trial by a major UK based insurance company for a pay per use initiative. The Company has also been successful in adding larger commercial and government fleets to its customer base. With the Company's introduction of a long-haul trucking solution during the year, along with increases in sales force and infrastructure to accommodate larger fleets, revenue growth from hardware sales and subscribers is expected.

Gross Profits and Margins

Gross profit grew by 65% to \$2,373 in the third quarter of 2006 from \$1,442 in the third quarter of 2005 due to growth in sales. Gross profit margin for the third quarter was 50%, an improvement over the reported gross profit margin of 49% for the prior comparable quarter. Although large volume orders typically realize lower profit margins, this effect was mitigated due to higher margins realized on subscriber revenue. Profit margins are expected to decrease in the near term due to larger volume orders, but increase in the long term as our subscriber base grows. For the nine month period, gross profit grew by 64% to \$5,683 (2005 - \$3,463). Gross profit margin for the nine month period was 50% (2005 - 49%), reflecting a strong profit margin in the last three quarters.

Net Income

For the three and nine months ended April 30, 2006, WebTech realized net income of \$492 and \$495 (2005: \$142 and \$203) respectively. During the 2006 quarter WebTech reported a foreign currency loss of \$5 compared with a foreign currency gain of \$23 in the same quarter of 2005. For the nine month period, the foreign exchange loss for 2006 is \$262, compared to \$31 in 2005.

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Operating Expenses

The Company realized a 43% increase in third quarter expenses, including sales and marketing, research and development and administration, over the same quarter of the prior year. For the nine month period, the Company realized a 53% increase over the prior comparable period for these expenses.

Marketing and Sales

Marketing and sales expense increased by 20% over the third quarter of the prior year, with 55% of the increase due to travel, 35% due to increase marketing staff costs, and the balance due to the growing sales force and its related costs. For the nine month period ended April 30, 2006, sales and marketing expense increased by 44% over the prior year, with 31% of the increase due to sales & marketing staff costs, 23% of the increase due to commissions, 23% due increased sales travel costs, and the balance primarily due increased trade show presence and related marketing costs.

Research and Development

Research and development costs increased by 69% over the third quarter of the prior year due to hiring new engineering staff and increased research and development activities to enhance WebTech's product portfolio and services offerings. For the nine month period ended April 30, 2006, research and development expense increased by 78%. WebTech plans to continue to build its engineering team to ensure it continues to be a technology leader in personal automotive and transportation markets.

The Company is developing a suite of products that will provide location-based services through WebTech's existing multi-language fleet services platform. The WT6000E, which became commercially available subsequent to the end of the third quarter, is the latest technology in a series of GSM enabled locators which is able to provide GPS-based location and status reporting on class 10 GPRS and EDGE networks. Other products in the suite include the WT1800 Mobile Access Point and the WT5800 Locator.

The Company continues to invest in research and development activities to maintain technical leadership.

Administration

Administration increased by 72% over the prior comparable quarter, with 43% due to a bad debt provision taken in the current quarter, 28% due to increased consulting, 9% due to increased investor relations activities, 8% due to increased insurance premiums, and the balance due to increased staffing costs and miscellaneous support costs.

For the nine month period ended April 30, 2006, there was an increase in administration expense of 52% over the prior comparable period, of which 31% was due to an increase in consulting fees, 22% was due to a bad debt provision, 18% was due to increased staffing, 13% was due to increased investor relations activities and the balance was due to general increase in costs to support the company's continued growth.

We anticipate that administration costs will increase as the company continues to build infrastructure to support its growth.

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SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Information

Unaudited (Expressed in thousands of Canadian dollars, except per share amounts)

Quarter Ended	2006 Apr 30	2006 Jan 31	2005 Oct 31	2005 July 31	2005 Apr 30	2005 Jan 31	2004 Oct 31	2004 Jul 31
Revenue	4,734	4,064	2,556	3,269	2,916	2,790	1,341	1,723
Gross Profit	2,373	2,062	1,307	1,658	1,442	1,361	660	843
Gross Margin (%)	50%	51%	49%	50%	49%	49%	49%	49%
Expenses	1892	1,563	1,491	1,392	1,324	1,061	857	1,071
Net earnings (loss)	492	334	(331)	236	142	329	(268)	(228)
EPS (Basic)	\$0.01	\$0.01	(\$0.01)	\$0.01	Nil	\$0.01	(\$0.01)	(\$0.01)
EPS (Diluted)	\$0.01	\$0.01	(\$0.01)	\$0.01	Nil	\$0.01	(\$0.01)	(\$0.01)
Total Assets	\$20,946	11,315	10,348	6,898	6,640	5,459	4,447	4,570
Total Long Term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Factors affecting quarterly results

The Company has been growing organically through direct sales to small and medium-sized customers, as well as larger government clients. The sales cycle to these customers can vary from weeks to many months. As well, over the last several years the company has also been seeding the market by selling product to large customers to use for trials. Some of these trials last for over two years. As a result, predicting the sales results for a quarter is difficult as sales cycles or trials may close in the quarter or easily slip into the next quarter (or even take longer). Nevertheless, the long term trend has been for rapidly increasing sales. In addition, the Company's sales are subject to seasonality. Typically locator sales in the first quarter of each year are lower due to decreased buying activity in the summer months.

The Company maintained healthy gross margins, despite a decline in US dollars and UK Pounds Sterling, by aggressively controlling product costs. Overhead costs are strictly controlled but can increase to support increasing business.

Segmented Information

The Company has sales in Canada, the United States of America, Europe, South and Central America, the Middle East, Asia and other areas of the world. At the beginning of the second quarter of 2005, the Company acquired a business located in the United Kingdom, establishing a significant European sales base.

Revenues can be split into the two categories of subscriber revenues and non-recurring hardware and

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software sales.

WebTech has realized increases in revenue during the nine months over the prior comparable period in all geographic segments except Canada due in part to an increase in worldwide demand for wireless vehicle services and in part to the Company's further expansion into new vertical market segments and markets outside Canada.

Sales by geographic segment are as follows:

	For the Three Months		For the Nine Months	
	Ended April		Ended April	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Canada	9%	21%	11%	21%
United States of America	37%	44%	40%	47%
Europe	26%	18%	22%	18%
Other	28%	17%	27%	14%

For the three and nine month periods, sales to regions outside North America and Europe increased by 150% and 144% respectively over the prior comparable periods, primarily due to the Company's expansion into the consumer automotive market in Brazil and its expansion into the Middle East. While sales to North America continued to grow, they were reduced as a percentage of total revenue due to increased sales in foreign markets.

Sales by category are as follows:

	For the Three Months		For the Nine Months	
	Ended April		Ended April	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Subscriber revenue	21%	25%	24%	28%
Non-recurring hardware and software revenue	79%	75%	76%	72%

For the third quarter non-recurring revenues have increased as a percentage of total revenue over the prior comparable period, due to large orders shipped towards the end of the quarter. As many of the hardware units are activated, subscriber revenues will grow. Due to an increase in order size and due to an increase in locators sold through resellers, a lag may occur from the time of shipment to the time of activation, postponing the commencement of subscriber revenues. During the third quarter, subscriber revenues increased by 34% over the same quarter last year. For the nine month period, subscriber revenues have increased 40% over the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Current Assets

WebTech's total current asset base at April 30 was \$20,018 (July 31, 2005 - \$6,281). The increase was mainly due to an increase in cash from the private placement of Special Warrants on April 11, 2006,

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generating net cash proceeds of approximately \$9.2 million. Cash was also generated by operating activities, the exercise of incentive stock options and share purchase warrants and increases in accounts payable.

Working capital

At April 30, 2006, the Company had positive working capital of \$18,129, compared with \$5,003 at July 31, 2005. The Company has a credit facility of up to \$1 million, subject to margin criteria, with the Royal Bank of Canada.

Working capital is strong as a result of private placements and funds received from the exercise of incentive stock options and share purchase warrants and the Company's ability to generate cash through operations. During the first quarter of 2006, the Company raised \$3,439 from the exercise of share purchase warrants. During the third quarter of 2006, the Company raised an additional \$9.2 million (net of cash issue costs) from the private placement of special warrants. However, the Company may be dependent on future financing in order to satisfy significant future growth activities.

Cash and marketable securities

At April 30, 2006 the Company had cash and marketable securities of \$11,405 compared with \$1,072 at July 31, 2005. During the quarter the Company generated cash of \$627 from operations, which is net income adding back amortization and stock based compensation expense. The Company used cash of \$1.2 million to fund non-cash working capital items, \$1.1 million which was attributable to an increase in accounts receivable balances.

Accounts receivable

Accounts receivable were \$5,534 at April 30, 2006 compared with \$2,825 at July 31, 2005. Four customers comprised 62% of accounts receivable due to larger volume sales contracts. The Company's management has reviewed its accounts receivable balances as at April 30, 2006, including the balances of these four customers, and believes that adequate provision has been made for doubtful accounts. From time to time, to take advantage of significant growth opportunities, the Company may grant credit terms in excess of its standard credit terms to its resellers and distributors with large volume orders, reducing accounts receivable turnover and contributing to larger accounts receivable balances and increased credit risk.

Prepaid expenses and deposits

Prepaid expenses and deposits included in the total prepaid expenses and deposits relate to amounts paid to manufacturers in advance of receiving inventory. Prepaid deposits increased from \$440 at July 31, 2005 to \$862 at April 30, 2006 to avoid inventory backlogs due to long manufacturing lead times.

COMMITMENTS

The Company has entered into a lease for premises with the following total minimum annual payments:

2006	\$ 230
2007	245
2008	251
2009	34
	<hr/>
	\$ 760

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RELATED PARTY TRANSACTIONS

The Company was charged the following amounts by directors and officers or companies with directors in common.

	For the Three Months Ended April		For the Nine Months Ended April	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Administration				
Consulting fees	\$ 100	\$ 33	\$ 245	\$ 72
Directors fees	5	11	26	11
Professional fees	-	5	10	23
Salaries and wages	-	18	-	54
Research and development	<u>71</u>	<u>18</u>	<u>237</u>	<u>54</u>
	<u>\$ 176</u>	<u>\$ 85</u>	<u>\$ 518</u>	<u>\$ 214</u>

At April 30, 2006, accounts payable and accrued liabilities included bonuses of \$162 (July 31, 2005: \$38) due to two directors of the Company in their capacity as an officers.

RISKS AND UNCERTAINTIES

WebTech faces risks and uncertainties that could affect the achievement of its goals. The Company is subject to risks and uncertainties from factors including but not limited to competition, its ability to hire skilled employees, government regulations, the availability of working capital and risks and uncertainties relating to the Company's operations. The risks disclosed in the Company's annual Management Discussion and Analysis dated October 17, 2005, which is incorporated by reference herein, have not changed substantially other than as disclosed herein.

Foreign Exchange

Fluctuations in the exchange rate between the Canadian and US dollars and between Canadian dollars and UK Pounds Sterling affect WebTech by impacting revenue, expenses and the balance sheet. Although the Company reports in CAD dollars, for the quarter ended April 30, 2006, 65% (2005: 62%) of revenues were US dollar denominated and 26% (2005: 17%) were in UK Pounds Sterling. A weakening US dollar reduces revenues when reported in CAD dollars. A strengthening US dollar would have the opposite effect. There is a somewhat mitigating effect in that a portion of the Company's inventory costs are denominated in US dollars. There is a negative impact on the balance sheet as the value of US denominated receivables decrease if the US dollar weakens against the CAD dollar. There is some offset as US denominated payables will also decrease at the same time. In summary, the offsets between US dollar revenues and expenses and US dollar receivables and payables provide natural hedges for part of the Company's foreign exchange exposure. At April 30, 2006 the US dollar exchange rate was 0.8926 compared with 0.817 at July 31, 2005. To date, the Company has not engaged in exchange rate hedging contracts. During the year ended 2005, the Company commenced active business in the United Kingdom through a wholly owned subsidiary. The UK subsidiary sells to customers and incurs operating costs primarily in UK Pounds Sterling, however its costs of sales are primarily denominated in CAD and US dollars. If UK Pounds Sterling weakens relative to the Canadian dollar, the Company may record losses on translation of its subsidiary's accounts. At April 30, 2006 the Company held net current monetary balances of \$1,460 in UK Pounds Sterling and \$4,028 in US Dollars.

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Credit Concentration and Credit 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. There is no assurance that this provision will be adequate. At April 30, 2006 approximately 14% of accounts receivable is due from a South American distributor, which resells the Company's products and services to a large automobile manufacturer in Brazil, and which has been in business for approximately two years. In addition, approximately 17% of accounts receivable is due from the Company's distributor in Kuwait. There is no assurance that the Company will be successful in collecting these accounts from its distributors. Although the Company has no present basis to infer that this is a likely event, if the Company is not able to collect these accounts through the normal course of its operations, there is no assurance that legal remedy will be adequate due to the locations of the distributors. Also, approximately 26% of accounts receivable is due from two UK resellers of the Company's hardware.

OUTSTANDING SHARE DATA

As at June 7, 2006 the Company has 47,758,445 common shares outstanding. Of these common shares, 2,184,437 were held in escrow to be released on July 22, 2006. As at June 7, 2006 the Company has 4,028,657 share purchase options outstanding entitling the holders to purchase one common share for each option held at prices from \$0.25 to \$1.50 per share expiring on various dates up to April 18, 2011. As at June 7, 2006 the Company has 206,896 share purchase warrants outstanding, each exercisable at a price of \$1.45 per common share until April 11, 2008.

PROGRESS ON PREVIOUS ANNOUNCEMENTS

January 14, 2005 \$2 million exclusive partnership to deliver fleet Telematics to Pakistan

In the second quarter of 2006, to handle subscriber growth, the Company provided a dedicated Quadrant Portal using WebTech's newly architected solution based on IBM's xSeries servers and WebSphere software platform. Sales to this region are approximately \$1 million to-date.

November 7, 2005 - Motorola signs distribution agreement with WebTech Wireless

Initial units shipped.

January 4, 2006 - Volkswagen to install WebTech Locator at assembly line in Brazil. Crown Telecom places a confirmed purchase order for CDN\$ 6 Million with WebTech Wireless.

5,600 units shipped.

February 10, 2006 - WebTech Wireless Introduces New Products at 3GSM World Congress

WebTech 6000 locator is commercially available, offering enhanced cellular coverage, connectivity to external devices such as laptop computers, PDA's and the WebTech MDT and J1708 heavy truck engine diagnostic reporting. Commercial availability of further products announced is underway.

February 10, 2006 - WebTech Wireless and IBM Sign ISV Teaming Agreement

Sold first system under ISV Teaming Agreement. Trials underway.

April 4, 2006 - Motient to distribute WebTech's Quadrant Solution

April 26, 2006 - City of Chicago places add-on order for additional 550 WebTech Locators

Units shipped and installed.

May 16, 2006 - WebTech wins bid with Commonwealth of Kentucky

Initial units shipped.

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May 25, 2006 – Sale of 2,200 locators to Europe
Units shipped.

ADDITIONAL INFORMATION

SEDAR

Additional information relating to WebTech is available on SEDAR at www.sedar.com.

This report contains forward-looking statements involving risks and uncertainties pertaining to, but not limited to, use of estimates, product plans, timing, content, and pricing of products, market and industry expectations, the wireless communications industry, the mobile Vehicle industry, and general economic and political conditions. Given the risks and uncertainties inherent in the markets and industries referred to in this report, actual results may vary, perhaps materially from these forward looking statements. WebTech cannot guarantee that any forward looking statements will be realized.