



CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
July 31, 2008 and 2007

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.

Auditors' Report

To the Shareholders of WebTech Wireless Inc.

We have audited the consolidated balance sheets of WebTech Wireless Inc. (the Company) as at July 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia
October 6, 2008

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

| | 31-Jul-08 | 31-Jul-07 |
|--|-----------|-----------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 7,246 | \$ 22,344 |
| Accounts receivable, net of allowance | 4,345 | 4,128 |
| Inventory, net of allowance | 10,070 | 7,640 |
| Prepaid expenses and deposits | 1,131 | 1,583 |
| | 22,792 | 35,695 |
| Property and equipment (Note 6) | 1,638 | 1,021 |
| Property under development (Note 6) | 86 | - |
| Long term investments (Note 7) | 3,669 | - |
| | \$ 28,185 | \$ 36,716 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 3,224 | \$ 3,533 |
| Current portion of deferred revenue | 383 | 260 |
| | 3,607 | 3,793 |
| Long term | | |
| Deferred lease inducement | 534 | 110 |
| Deferred revenue | 93 | - |
| | 627 | 110 |
| | 4,234 | 3,903 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 8) | 59,620 | 60,142 |
| Contributed surplus (Note 9) | 1,791 | 858 |
| Deficit | (37,460) | (28,187) |
| | 23,951 | 32,813 |
| | \$ 28,185 | \$ 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)

| | 31-Jul-08 | 31-Jul-07 |
|---|-------------|-------------|
| Revenue | \$ 20,810 | \$ 15,304 |
| Cost of goods sold | 10,610 | 6,536 |
| Gross profit | 10,200 | 8,768 |
| Expenses | | |
| Marketing and Sales | 7,044 | 4,352 |
| Research and Development | 3,935 | 3,810 |
| General and Administration | 4,516 | 2,914 |
| Amortization | 523 | 674 |
| | 16,018 | 11,750 |
| Loss before other items | (5,818) | (2,982) |
| Other items | | |
| Interest income | 466 | 873 |
| Foreign exchange loss | (110) | (1,499) |
| Loss in the fair value of long-term investments (Note 7) | (2,331) | - |
| Inventory impairment | - | (7,437) |
| Loss from inventory shipped | - | (7,814) |
| Impairment of loan receivable | - | (5,251) |
| Intangible asset impairment (Note 4) | - | (371) |
| Loss on contract | - | (1,677) |
| Net loss and comprehensive loss for the year | \$ (7,793) | \$ (26,158) |
| Deficit, beginning of the year | (28,187) | (1,837) |
| Change in amortization policy | - | (192) |
| Loss for the year | (7,793) | (26,158) |
| Shares repurchased - excess of purchase price over carrying value | (1,480) | - |
| Deficit, end of year | \$ (37,460) | \$ (28,187) |
| Accumulated other comprehensive earnings | | |
| Balance - beginning and end of year | \$ - | \$ - |
| Basic and fully diluted (loss) earnings per share | \$ (0.13) | \$ (0.49) |
| Weighted average shares outstanding during the year | 58,060,842 | 53,676,990 |

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

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

| | 31-Jul-08 | 31-Jul-07 |
|---|------------|-------------|
| Operating Activities | | |
| Net loss for the year | \$ (7,793) | \$ (26,158) |
| Add items not affecting cash: | | |
| Amortization | 523 | 674 |
| Stock-based compensation | 1,024 | 652 |
| Amortization of leasehold inducement | (49) | (5) |
| Loss in the fair value of long-term investments (Note 7) | 2,331 | - |
| Intangible asset impairment | - | 371 |
| Loss on inventory shipped | - | 7,814 |
| Impairment of loan receivable | - | 5,262 |
| Inventory impairment | - | 4,063 |
| Loss on contract | - | 1,677 |
| | (3,964) | (5,650) |
| Changes in non-cash working capital items related to operations: | | |
| Accounts receivable | (217) | 12 |
| Inventory | (2,430) | (8,854) |
| Prepaid expense and deposits | 452 | (783) |
| Inventory shipped | - | (7,814) |
| Accounts payable and accrued liabilities | (309) | (543) |
| Deferred lease inducement | 473 | 115 |
| Deferred revenue | 216 | 167 |
| | (5,779) | (23,350) |
| Financing Activities | | |
| Common shares issued, net of costs | 233 | 38,669 |
| Shares repurchased (Note 8) | (2,326) | - |
| Loan receivable | - | (2,387) |
| | (2,093) | 36,282 |
| Investing Activities | | |
| Purchase of intangible assets | - | (129) |
| Purchase of capital assets | (693) | (1,099) |
| Purchase of property under development | (533) | - |
| Increase in long-term investment | (6,000) | - |
| | (7,226) | (1,228) |
| Net increase (decrease) in cash during the year | (15,098) | 11,704 |
| Cash and cash equivalents, beginning of year | 22,344 | 10,640 |
| Cash and cash equivalents, end of year | \$ 7,246 | \$ 22,344 |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 7,246 | \$ 22,344 |
| | \$ 7,246 | \$ 22,344 |
| Supplemental cash flow information | | |
| Interest paid | \$ 3 | \$ 9 |
| Income taxes paid | - | - |
| Non-cash Transactions | | |
| Transfer of property under development to property and equipment | \$ 448 | \$ - |
| Conversion of accounts receivable to loan receivable | - | 2,875 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

(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.

Note 2 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 USA Ltd., which was incorporated in the United States (US), WebTech Wireless Europe Ltd., which was incorporated in the United Kingdom (UK), WebTech Wireless Brasil Processamento De Dados S.A., which was incorporated in Brazil, 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 the Canadian Institute of Chartered Accountants (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 unrealized gains and losses that, under generally accepted accounting principles (GAAP), 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 material impact from the adoption of this standard on the Company's consolidated financial statements.

Accounting for financial instruments

Effective August 1, 2007, the Company adopted CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". 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; and
- Accounts payable and accrued liabilities are classified as "Other financial liabilities" and are measured at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

The adoption of this new standard has had no material 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 US, UK and Brazilian subsidiaries are translated according to the temporal method as they are integrated operations.

Use of Estimates

In conformity with Canadian generally accepted accounting principles, the preparation of these 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 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.

Impairment of Long-lived Assets

The Company reviews the carrying values of its property and equipment for impairment on a regular basis or whenever events or circumstances indicate the carrying amount may not be recoverable. If the carrying value exceeds the amount recoverable, based on undiscounted estimated future cash flows, a write-down to their fair value is charged to the consolidated statement of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Revenue Recognition and Warranty Provision

The Company derives non-recurring revenue from the sale of vehicle tracking hardware and software as well as professional services associated with customizing its product. Recurring, subscription revenue is derived 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 and Development expenditures are expensed when incurred. Development costs are capitalized in the event that certain criteria are met. To date, no development costs have been capitalized.

Government Assistance

Scientific research tax credits are accrued at the time the related costs are incurred provided that their recovery is reasonably assured. Scientific research 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 employee 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. The fair value of stock-based payments to non-employees is periodically re-measured until the earlier of the completion of the performance commitment or when vesting occurs and any changes therein are recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

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.

Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the substantive enactment date. Any future income tax asset is reduced by a valuation allowance to the extent that it is more likely than not that some portion or all of the asset will not be realized.

Note 3 Recent Canadian GAAP Announcements

The CICA has issued the following 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 ending 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

For the year ended July 31, 2008 and 2007

(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.

Section 3863 – Financial Instruments – Presentation

This section requires entities to provide presentation of financial instruments in their financial statements that enable users to understand the significance of the impact to an entity's financial position, performance and cash flows. The presentation specifies the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Sections 3064 and 1000 – Goodwill and Intangible Assets

CICA 3064 replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Accounting Standard (IAS) 38, Intangible Assets. CICA 1000 is amended to clarify criteria for recognition of an asset. CICA 3450 is replaced by guidance in CICA 3064. Emerging Issues Committee (EIC) 27 is no longer applicable for entities that have adopted CICA 3064. Accounting Guideline (AcG) 11 is amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. This section is effective for interim and annual financial statements for years beginning on or after October 1, 2008.

Note 4 Intangible Assets

In the year ended July 31, 2007, based on the Company's sales and operating experience, it recorded a charge of \$371 to reflect an impairment in the Globetrac Limited customer list acquired from Global Axxess Corporation when it acquired all of the business of Globetrac Limited, a former reseller of the Company's products and services in Europe.

Note 5 Credit Facility

As at July 31, 2008, the Company had a credit facility of up to \$1 million, subject to margin criteria, bearing interest at the lender's prime lending rate plus 1%. The credit facility is secured by a general charge on the assets of the Company. At July 31, 2008, the Company carried a nil balance on this facility (2007 - nil). Subsequent to the year end, this facility was retired and replaced with a \$5 million facility secured by similar charges on the assets of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Note 6 Property and Equipment and Property Under Development

| | 31-Jul-08 | | | 31-Jul-07 | | |
|----------------------------|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| Computer equipment | \$1,751 | \$1,104 | \$647 | \$1,640 | \$780 | \$860 |
| Computer software | 782 | 737 | 45 | 710 | 663 | 47 |
| Furniture and fixtures | 324 | 179 | 145 | 160 | 154 | 6 |
| Leasehold improvements | 778 | 43 | 735 | 124 | 57 | 67 |
| Office and other equipment | 208 | 142 | 66 | 161 | 120 | 41 |
| Property under development | 86 | - | 86 | - | - | - |
| | \$3,929 | \$2,205 | \$1,724 | \$2,795 | \$1,774 | \$1,021 |

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. Under an arrangement with the Company's landlord the Company is eligible to receive \$750 as a Tenant Improvement Allowance for this property under development. The Company has received \$469 in tenant improvement allowances for this property under development to date.

Note 7 Long-term Investments

Asset-Backed Commercial Paper ("ABCP")

As at July 31, 2008, the Company held \$3,669 (Face value – \$6,000) of non-bank sponsored ABCP invested in Structured Investment Trust III Series A. This financial asset is classified as held for trading and is measured at fair value. The maturity date of this ABCP was originally December 2007. At the time the Company acquired this investment, the non-bank sponsored third party ABCP was rated as R-1 (High) by DBRS Limited ("DBRS"), the highest credit rating for commercial paper. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

DBRS placed certain of the ABCP vehicles ("Conduits") "Under Review with Developing Implications" following the August 16, 2007 announcement that a group representing banks, asset providers and major investors had agreed in principle to a long-term proposal and interim agreement to convert the ABCP into term floating-rate notes ("FRNs") maturing no earlier than the scheduled termination dates of the underlying assets (the "Montreal Accord").

On September 6, 2007, a Pan-Canadian Investors Committee (the "Committee") consisting of a group of large ABCP investors was formed. The Committee subsequently retained Goodmans LLP and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process.

On December 23, 2007, the Committee announced that an agreement in principle had been reached regarding a comprehensive restructuring ("Restructuring") of the affected ABCP. Once implemented, the restructuring plan will: (i) replace the affected ABCP with long-term notes ("Replacement Notes") whose maturity is similar to that of the underlying assets; (ii) pool certain series of the affected ABCP which are supported in whole or in part by underlying synthetic assets; and (iii) mitigate the margin call risk associated with many of the existing conduits (including

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Structured Investment Trust III – Series A) by reducing the probability of a margin call and also providing a credit facility to draw upon should a margin call occur.

On March 17, 2008, the Ontario Superior Court of Justice granted an application by the Committee under the Companies' Creditors Arrangement Act (CCAA) establishing procedures for noteholder approval of the Restructuring. Under the CCAA, the Restructuring had to be approved by a majority of noteholders (regardless of the size of their holdings) as well as by noteholders representing not less than two thirds of the total aggregate principal amount of affected ABCP investments. At a meeting held on April 25th, 2008, 96% of noteholders, by number and value endorsed the Restructuring. The Restructuring was then sanctioned by the Ontario Superior Court of Justice on June 5, 2008

On June 18, 2008 proceedings were taken by a number of corporate noteholders, including the Company in the Ontario Court of Appeal seeking to challenge the Ontario Superior Court of Justice decision that sanctioned the Restructuring. The Ontario Court of Appeal heard the matter on June 25 and 26, 2008 and as at July 31, 2008 had not issued a decision on the matter.

Subsequent to July 31, 2008, the Ontario Court of Appeal upheld the sanction order from the Ontario Court of Appeal. Since then numerous parties, including the Company, sought leave to appeal this order to the Supreme Court of Canada. This leave to appeal was rejected by the Supreme Court on September 19, 2008.

The Company has since been informed that it can expect to receive its Replacement Notes on or around October 31, 2008.

Given the disruption in the third party sponsored ABCP market, quoted market values of such investments including the Replacement Notes are not available. Accordingly, the Company has determined the fair value of its investments in ABCP using available information regarding the Restructuring, market conditions and other factors as at the measurement date. Should the Restructuring be successful, the ABCP investments will be converted into Replacement Notes with maturities matching the underlying assets. The Replacement Notes will bear interest rates commensurate with the nature of the underlying assets less the cost of the margin funding facility and other administrative expenses.

Notwithstanding the belief that the Restructuring will go forward there remains uncertainty as to whether a secondary market for the resulting securities will develop after the restructuring. This impacts the Company's ability to estimate the amount and timing of cash flows associated with the Company's ABCP investment.

Pursuant to the Restructuring, the Company will receive Replacement Notes consisting of approximately \$5.35 million in new notes of various classes issued by a trust referred to as a "master asset vehicle" ("MAV2") that will include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement to post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include credit card receivables, residential and commercial mortgage backed securities and cash equivalents. The pooling of the leveraged investments, the traditional assets and cash is expected to increase the stability of the new notes by using the traditional assets and available cash to meet any potential margin calls. In addition, the Company has elected to hold notes issued by the particular master asset vehicle in which investors will not be required to advance funds to meet future margin calls, should they occur. The master asset vehicle will arrange a margin funding facility to meet potential margin calls. The Company expects that approximately 94% of the new notes (Classes A1 and A2) will pay interest and will be assigned an investment grade rating. The remainder of the new notes (Classes B and C), which will not be rated, are expected to accrue interest that will be paid only after the investment grade notes are fully repaid. The Company also expects to receive \$0.65 million of notes referred to as Ineligible Asset tracking notes (Class 14) which will track the performance and repayment of the related underlying assets in certain conduits with significant exposure to the US residential mortgage market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

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 July 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: | 10 % |
| 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 the ABCP decreases by \$159 and for every 200 bps decrease in the weighted average discount rate, the valuation increases by \$81.

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 \$3,669 at July 31, 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.

During the year ended July 31, 2008, the Company recorded a reduction in fair value of \$2,331 as a reduction in fair value since the loss on its ABCP is considered to be other than temporary.

Since the fair value of the resulting securities are determined using a discounted cash flow approach and are based on the Company's assessment of market conditions as at July 31, 2008, the fair values reported may change materially in subsequent periods.

No estimate of the restructuring costs, which have been stated as being immaterial by the restructuring committee, nor any interest income which may have been accrued since August 13, 2007, have been included in the fair value assessment due to a lack of verifiable information. Any interest income earned will be recognized on a cash basis.

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

For the year ended July 31, 2008 and 2007

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

Note 8**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 | 442,590 | 235 |
| Transfer from contributed surplus on exercise of stock options | - | 91 |
| Less: Common shares returned to treasury | (820,116) | (846) |
| Less: Share issue costs | | (2) |
| Balance July 31, 2008 | 57,875,118 | 59,620 |

- (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.
- (3) During the year ended July 31, 2008, the Company repurchased and cancelled a total of 820,116 Common shares under its normal course issuer bids for a total cash consideration of \$2,326. The cash consideration exceeded the carrying value of the shares repurchased by \$1,480, which was charged to deficit with the \$846 balance booked to share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Stock Option Plan

The Company has a Stock Option Plan from which it makes 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 13.9% 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. 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 | 1,528,100 | \$ 3.17 |
| Expired or cancelled | (449,685) | \$ 3.17 |
| Exercised | (442,590) | \$ 0.53 |
| Options outstanding July 31, 2008 | 3,706,860 | \$ 2.37 |

As at July 31, 2008, the Company had 3,706,860 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 | 814,834 | 0.78 | \$ 0.58 | 814,834 | 0.78 | \$ 0.58 |
| \$ 0.76 | \$ 1.10 | 424,874 | 2.60 | \$ 0.95 | 240,703 | 2.51 | \$ 0.93 |
| \$ 1.20 | \$ 1.80 | 124,502 | 2.84 | \$ 1.36 | 43,666 | 2.85 | \$ 1.39 |
| \$ 2.55 | \$ 3.83 | 2,069,550 | 4.28 | \$ 3.00 | 333,564 | 3.21 | \$ 2.67 |
| \$ 5.50 | \$ 6.98 | 273,100 | 3.50 | \$ 5.71 | 91,020 | 3.50 | \$ 5.71 |
| \$ 0.47 | \$ 6.98 | 3,706,860 | 3.22 | \$ 2.37 | 1,523,787 | 1.99 | \$ 1.42 |

During the year ended July 31, 2008 stock based compensation expense was \$1,024 (July 31, 2007-\$652) and is included in operating expenses of the related department on the statement of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

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

| | For the twelve months ended July31 | |
|--|---------------------------------------|-----------|
| | 2008 | 2007 |
| Risk free rate | 4.15% | 3.00% |
| Dividend yield | 0% | 0% |
| Expected volatility | 78% | 82% |
| Weighted average expected option life | 3 years | 3 years |
| Weighted average fair value of options granted | \$ 1.72 | \$ 1.45 |
| Total options outstanding | 3,706,860 | 3,071,305 |

Note 9 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 | 1,024 |
| Stock options exercised | (91) |
| Balance July 31, 2008 | \$ 1,791 |

(1) Share purchase warrants were granted in connection with private placement of Special Warrants on April 11, 2006. As at July 31, 2008 there are no warrants outstanding.

Note 10 Segmented Information

The Company operates in a single business segment - telematics, and has sales in Canada, the United States, Europe, Mexico, Brazil and Latin 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 July 31, 2008, 98% of the Company's property and equipment are located in Canada and 2% are located in Europe and are held by one of the Company's wholly owned subsidiaries, WebTech Wireless Europe Ltd. (July 31, 2007 – 95% and 5% respectively).

Revenue by geographic segment is as follows:

| | 2008 | 2007 |
|--------------------------------|------------------|------------------|
| United States | \$ 7,049 | \$ 6,113 |
| Canada | 5,781 | 3,287 |
| Europe | 3,995 | 2,991 |
| Mexico, Brazil & Latin America | 2,448 | 1,991 |
| Middle East & Asia | 1,537 | 922 |
| | \$ 20,810 | \$ 15,304 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Revenue by category is as follows:

| | 2008 | 2007 |
|---|------------------|------------------|
| Non-Recurring Hardware and Software Revenue | \$ 14,517 | \$ 9,775 |
| Recurring Service Revenue | 6,293 | 5,529 |
| | \$ 20,810 | \$ 15,304 |

Note 11 Financial Instruments
a) Fair Value of Financial Instruments:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, long-term investments, 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 7.

b) Foreign Currency Risk:

During the year ended July 31, 2008, 53% of the Company's revenue was in US dollars and 19% was in UK pounds (2007 - 59% 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 have any derivative instruments. At July 31, 2008, the Company held net current monetary assets in US dollars and in UK pounds equal to \$2,399 and \$2,476 respectively (2007: \$3,541 US dollars and \$1,278 UK pounds).

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 July 31, 2008, accounts receivable from four customers comprised an aggregate of 31.4% of total accounts receivable (2007 - 29.9%). During the year ended July 31, 2008, no individual customer comprised greater than 10% of sales.

Note 12 Income Taxes
Components of Income Tax provision

Income taxes vary from the amount that would be computed by applying the combined federal and provincial tax rates of approximately 32.0% (2007 - 34.12%) for the following reasons:

| | 2008 | 2007 |
|--|---------|---------|
| Income Tax at Statutory Rates | (2,497) | (8,925) |
| Non-deductible stock based compensation and other expenses | 416 | 226 |
| Deductible share issuance costs | (255) | (295) |
| Change in valuation allowance | 3,100 | 8,741 |
| Reduction in future statutory tax rates | (657) | 292 |
| Foreign tax rate differential | (107) | (39) |
| | - | - |

Future tax assets and liabilities are recognized for temporary differences between the carrying amounts of balance sheet items and their corresponding tax values as well as for the benefit of losses or credits available to be carried forward to future years that are likely to be realized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Significant components of the Company's future tax assets and liabilities, after applying substantively enacted corporate income tax rates, are as follows:

| | 2008 | 2007 |
|---|----------|----------|
| Non-capital losses carried forward | 11,509 | 6,739 |
| Share issuance costs | 521 | 923 |
| Scientific research and experimental development pool | 1,106 | 1,297 |
| Investment tax credits | 718 | 718 |
| Capital assets | 6 | 82 |
| Accrued liability | 179 | 565 |
| Other | 949 | 50 |
| Less: Valuation allowance | (14,988) | (10,374) |
| | - | - |

The Company has recorded a full valuation allowance against its future income tax assets based on the extent to which it is more likely than not that future income tax assets will be realized within the carry-forward period.

Canadian investment tax credits of \$718 (2007- \$718) can be carried forward and applied against future income taxes payable. These investment tax credits will expire as follows:

| | | |
|------|----|-----|
| 2026 | \$ | 504 |
| 2027 | | 214 |
| | \$ | 718 |

Scientific research and experimental development expenditures of \$4,252 can be carried forward indefinitely and applied against future income.

Canadian non-capital loss carryovers of \$30,515 expiring in 2027 and 2028 can be carried forward and applied against future taxable income.

The Company also has UK operating loss carryovers of \$4,790 which can be carried forward indefinitely and applied against future UK taxable income.

Note 13 Commitments

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

| | | |
|-------------------|-----------|--------------|
| 2009 | \$ | 392 |
| 2010 | | 350 |
| 2011 | | 373 |
| 2012 | | 373 |
| 2013 through 2017 | | 1,911 |
| Total | \$ | 3,399 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 31, 2008 and 2007

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

Note 14 Litigation

On May 11, 2007 the Company was served with notice of a lawsuit filed by Lunar Eye Inc. (Lunar Eye) in the Eastern District of Texas, alleging patent infringement by the Company. On June 10, 2008 the Company received notice from the US Patent and Trademark Office ("USPTO") that the patent in question had been rejected by the USPTO based on evidence provided by the Company in a Request for Re-Examination filed by the Company. Lunar Eye has appealed the decision of the USPTO and the outcome of this appeal is not yet known. In addition the Company has filed a Motion for Summary Judgment with the trial judge in the case. The Company believes the Lunar Eye lawsuit to be without merit.

The Company has filed or is in the process of filing a number of lawsuits in Brazil and other jurisdictions against its former value-added reseller ("VAR") in Brazil, Crown Telecom, the principal of Crown and certain companies related to Crown. The Company has previously reached certain partial settlement agreements with Crown under which Crown has granted the Company an irrevocable and complete release from any litigation action by Crown against the Company. Despite this release, Crown has obtained a judgment against the Company in a counter suit against the Company for business interference including a claim of R106,000,000 (CAD\$60 million). The Company does not believe the judgment is valid, and as such, the Company is appealing the decision.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

GENERAL

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. These forward-looking statements relate to, among other things, financial results, product plans, timing, content and pricing of products, market and industry expectations, and general economic, business and political conditions. All forward-looking statements in this document are based on management's beliefs, intentions and expectations with respect to future events. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out below under the heading Risk and Uncertainties, which may cause the actual results, performances, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Company cannot give assurances that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance.

The financial data contained in this report and in the Consolidated Financial Statements of the Company for the year ended July 31, 2008 have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) in Canada and are stated in Canadian Dollars.

This report has been prepared in accordance with the requirements for Management Discussion and Analysis. The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company for the year ended July 31, 2008 and the Company's 2008 Annual Information Form ("AIF") for the year ended July 31, 2008. Each of the foregoing is available at www.sedar.com.

Management has designed disclosure controls and procedures, or has caused it to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended July 31, 2008 in accordance with Canadian Generally Accepted Accounting Principles for financial reporting. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting in place as at July 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these disclosure controls and procedures were effective.

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

OVERVIEW

Founded in 1999, WebTech Wireless Inc. (the "Company") is a pioneering leader in Global Positioning System ("GPS") location-based services and telematics solutions, and has achieved significant success in the commercial and consumer fleet market. The Company's products help government, service and transportation fleets of any size, as well as personal automotive users, efficiently manage, monitor and measure the performance of their vehicles and mobile assets – in real time.

The Company has grown into a global operation with sales in more than 45 countries and an extensive suite of GPS location devices (the "WebTech Locator Series") and related peripheral accessories, as well as a feature rich software offering ("Quadrant") that allows customers to control, monitor and manage their vehicle and mobile assets at all times regardless of location.

The Company sells its hardware and software services through a combination of direct and indirect sales channels. A typical sale involves the sale and installation of a number of WebTech Locator devices, comprised of a GPS locator and a GPRS modem, plus a subscription for a year or more to the Company's robust and feature tracking and reporting software, Quadrant which is offered over the Internet on an application service provider ("ASP") basis. For very large customers with sophisticated in-house information technology ("IT") organizations and complex fleets the Company licenses Quadrant on a stand-alone basis through a form of enterprise license which allows the customer to run its own ASP service and which attracts a one-time licensing fee plus recurring annual maintenance fees. The Company also sells installation, software development, training and other services to its customers.

The Company has recently introduced "Telematics for the Planet", an initiative that provides customers with measurement and scorecard tools which allow them to measure and report emissions and other fuel efficiency statistics in order to meet regulatory or other standards and reduce fuel usage and expense.

INDUSTRY AND ECONOMIC FACTORS

Industry

The Company develops, manufactures and sells turnkey wireless GPS solutions designed to improve the productivity, security, emissions and profitability of commercial fleets, and consumer automobiles. The Company has developed a fully integrated end-to-end system, including both Quadrant, the Company's Internet or enterprise based tracking and reporting software and the WebTech Locator Series, a family of discrete GPS tracking devices that provide Location Based Services ("LBS") and telematics information to a variety of consumer automotive, transportation, service, and government vertical markets around the world. The Company's solutions integrate GPS, wireless communication technologies and the Internet to provide fleet operators with real-time information about the location and status of their vehicles. Products include wireless hardware and software services running on cellular and satellite networks, offering the following:

- **Location Based Services:** Real-time location data including mapping, landmark reporting, speed reporting and geofencing, which involves defining virtual electronic boundaries to monitor vehicle location and movement.
- **Telematics:** The ability to remotely monitor, report the functioning of and control vehicles and their operations remotely, including emissions, fuel efficiency, idle-time, brakes, door locks and remote engine shut-off.
- **Connectivity:** Dispatch, voice/cellular communication, data transmission, text messaging, and enabling peripherals including laptops and personal digital assistants ("PDA's") to gain access to corporate applications.
- **Safety and Security:** Vehicle recovery, transport of hazardous material, air-bag deployment notification, remote door lock/unlock, and remote vehicle diagnostics.
- **Regulatory Compliance:** Driver logs and other measures required for Hours of Service ("HOS") regulations, automated reporting in regulatory formats, driver and other alerts, trip recorder (detailed record of telemetry inputs and location information).

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

Beginning in 2006 the Company shifted its emphasis from its historical markets of municipal maintenance fleets, and delivery services companies to much larger opportunities like long-haul trucking companies, automotive original equipment manufacturer ("OEM"), insurance companies and wireless carriers.

According to 2007 reports by Frost & Sullivan, total North America telematics market revenues are expected to grow at a compound annual rate of 28% from 2006 to 2013 for commercial vehicles, and 13% for Passenger Vehicles. According to a December 2005 report by C.J. Driscoll & Associates, there were more than 20 million fleet vehicles in the US, of which only 1.5 to 2 million had GPS tracking systems installed. For Western Europe, Berg Insight estimated in 2007 that the penetration rate for car telematics applications in 2006 was at 0.7% and that by 2011 it would exceed 13% or nearly 1.2 million units. Berg Insight also projected in 2007 that the penetration rate for commercial vehicle fleet management in all of Europe would increase from 2.8% to 11.3% between 2007 and 2012. Telematics Research Group estimated that worldwide sales of telematics-enabled vehicles will reach approximately 43% of all new automobiles sold in 2010.

In the quarter ended July 31, 2008, the Company completed a significant transaction, signing a Quadrant enterprise license and hardware supply agreement with the US division of FedEx Express a unit of Federal Express. Shipments under this order commenced and are expected to complete in fiscal 2009.

In addition to the above, the Company completed a number of other significant transactions during the year ended July 31, 2008 including:

- (i) The sale of 5,000 Locator units to Grupo Nacional Provincial ("GNP"), one of Mexico's largest insurers as part of a pilot project to provide telematics and location based services to GNP's insured base of 1.5 million vehicles in Mexico. These 5,000 units were paid for and shipped to GNP for installation during the year.
- (ii) The appointment of a new distributor, SB Tec S.A., in Brazil.
- (iii) The sale of more than 1,000 locators to a large Canadian communications provider.
- (iv) A supply agreement for 5,000 locators with Global Tracking Communications based in California.
- (v) The sale of 1,100 locators to a disaster evacuation initiative, run by the office of the Governor of Texas.
- (vi) A supply agreement for up to 8,000 locators with EFU General Insurance Company, through the Company's long time distributor in Pakistan, Tracking World (Pvt) Limited.

The Company also has strategic corporate relationships with IBM and Motorola and in Canada has an exclusive agreement with Rogers Communications Inc. ("Rogers") to distribute the Company's product under the white-label brand of "mFleet" through Rogers' distributor network across Canada. These relationships provide significant deal flow and revenue opportunities to the Company as evidenced by the Company's announcement of the enterprise license sale and hardware supply agreement noted, and by the Company's significant growth in sales in Canada generated under its mFleet arrangement with Rogers.

Factors driving the worldwide increase in the use and application of telematics include:

- Continuing need to improve efficiencies and operational control, especially with the escalation in fuel costs;
- An increased awareness of the benefits of telematics by insurance companies, automobile manufacturers and consumers including as a theft reduction tool;
- A growing acknowledgement by consumers, regulators and manufacturers of the enabling contributions which telematics can make to the emerging "carbon credit economy";
- New wireless networks and reduced costs for hardware and airtime;
- More comprehensive and better subscriber services at similar prices;
- A trend toward safety and security of mobile workers and assets and;
- Homeland security concerns in the US.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

The industry factors are more fully described in the Company's Annual Information Form.

Economic

The Company has operations in five countries and has made sales in over 45 countries. As a result it operates in three currencies; the Canadian dollar ("CAD"), the US dollar ("USD") and British Pounds ("GBP") and the Company's reported revenue and net results are affected by fluctuations in the exchange rates of the CAD, the USD and GBP amongst other factors.

In general, a weakening of the USD against the CAD impacts the Company's reported revenues and accounts receivable negatively. This negative effect is partially offset by a favorable impact on expenses and accounts payable. The weakening USD may also have a negative impact on gross margin if inventory purchased at a time when the USD is higher is sold at a time when the resulting revenues are converted at a lower USD rate. The inverse is true when the USD strengthens against the CAD as occurred in the most recent quarter, compared with the same quarter in the prior year.

As with the USD, a strengthening of GBP against CAD has a positive effect on the Company's reported revenues and accounts receivable which is partially offset by an unfavourable impact on expenses and accounts payable.

Due to the volatility of the USD/CAD exchange rate during the year, the Company is reporting an overall negative charge on foreign exchange exposure as it had greater exposure in the first quarter when rate movements had a negative impact on overall operations.

The Company has no significant exposure to oil or fuel prices, however it does suffer exposure to these prices by virtue of the fact that it sells to large fleet operators who themselves suffer significant exposure to oil and fuel price swings. Offsetting this exposure, is the fact that the Company's products provide it's customers with the opportunity to achieve significant fuel cost savings and operational efficiencies and are thus likely to be found more appealing to those customers during times of oil and fuel price volatility.

An overall slowdown in economic growth led by a decline in demand from the US is predicted in the remainder of calendar 2008 and through 2009 in major industrial countries. Economies dependent on exports to the United States such as Canada and Mexico are likely to be more significantly affected by the slowdown in the US.

The Company's reported assets have grown each year primarily through raising capital on the financial markets, and while the Company is sufficiently funded at this time, there is no guarantee that it will not need additional external funding in the future.

RESULTS FROM OPERATIONS

The Company sold and shipped more than 51,000 locators in the year ended July 31, 2008 representing a record annual total. Revenues grew year over year in all geographic segments, with the most significant growth occurring in Canada, continuing a trend seen throughout this year.

Revenue

The Company is reporting record revenue of \$20,810 for the year ended July 31, 2008 (2007 - \$15,304), an increase of 36% over the prior comparable year. This increase occurred primarily due to increased acceptance of the Company's products in its key North American and European markets as the overall telematics market continues to grow. Sales to an important new strategic account in Mexico, continued growth in Asia and the reestablishment of the Company's presence in Brazil, also contributed to growth in the year.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

The Company is also reporting revenue of \$4,834 for the quarter ended July 31, 2008 (2007 - \$3,836), an increase of 26% over the prior comparable quarter. Revenue in the quarter was generated primarily from the Company's traditional markets of commercial fleets and government, and from sales through the Company's mFleet arrangement with Rogers in Canada. Hardware and software revenues have increased by 35% over the prior comparable quarter and recurring service revenues grew by 11% for the quarter over the prior comparable quarter. Subscriber revenue has however decreased as a percentage of total sales to approximately 34% compared with 39% for the prior comparable quarter due to the overall increase in hardware sales which have not yet commenced to earn subscription revenues. Historically, subscriber revenues reflect a lagging trend in comparison with hardware revenues due to time lags between hardware sales, installation and training prior to the activation of subscriptions.

Segmented Information

To date the Company has made sales in over 45 countries around the world, with the majority of these sales coming from North America and Europe. Due to an increase in the worldwide demand for wireless vehicle services and due to the Company's further expansion of its sales efforts internationally, the Company realized a general increase in international sales during the year ended July 31, 2008. Driven by new sales into Mexico and Brazil, as well as increased sales in Europe and elsewhere, overall international sales grew by 15% for the year. It is important to note that while overall international sales increased in all markets, the Company's domestic sales have increased more than 75% year over year.

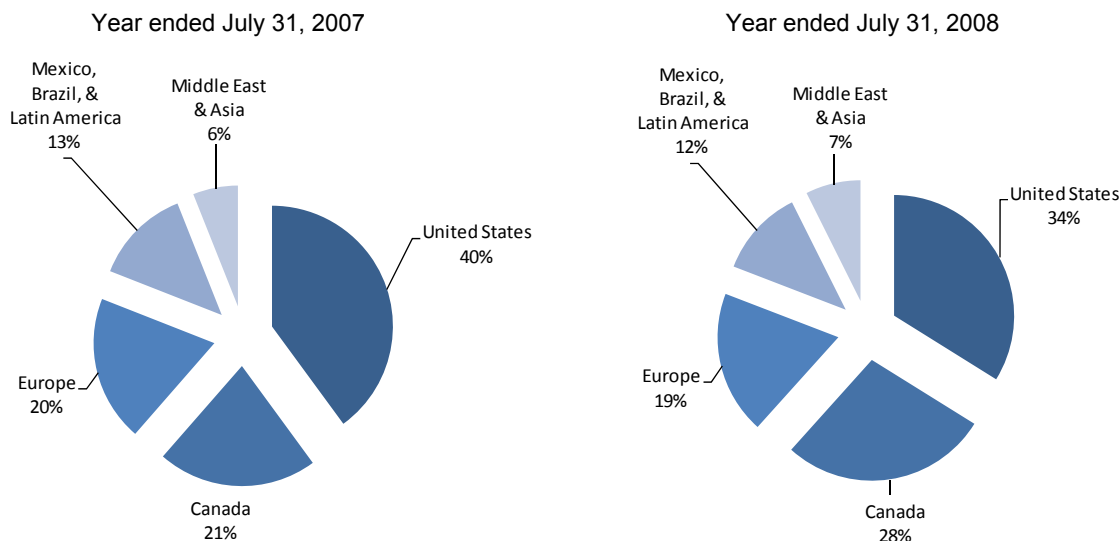
Revenue by geography:

| | For the three months ended July 31 | | | For the twelve months ended July 31 | | |
|--------------------------------|------------------------------------|-----------------|----------|-------------------------------------|------------------|----------|
| | 2008 | 2007 | Growth % | 2008 | 2007 | Growth % |
| United States | \$ 1,584 | \$ 1,549 | 2% | \$ 7,049 | \$ 6,113 | 15% |
| Canada | 1,269 | 766 | 66% | 5,781 | 3,287 | 76% |
| Europe | 1,110 | 1,078 | 3% | 3,995 | 2,991 | 34% |
| Mexico, Brazil & Latin America | 316 | 235 | 34% | 2,448 | 1,991 | 23% |
| Middle East & Asia | 555 | 208 | 167% | 1,537 | 922 | 67% |
| | \$ 4,834 | \$ 3,836 | | \$ 20,810 | \$ 15,304 | |

Revenues from sales in the United States and Canada for the year increased by a combined 36% over the prior comparable period driven by sales through the Company's mFleet channel and increased sales to commercial fleets and "hardware only" customers. Sales in Europe increased 33% year over year, as the Company expanded its activities in this market, and as a reflection of the overall growth of the telematics business in the UK. Mexico is a new market for the Company, with the Company having made its first shipment under its previously announced arrangement with GNP Insurance. Sales in Brazil are recovering as the Company made its first shipment of 7,000 units to its new distributor in this market.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

Revenue by geographic segment (% distribution)



Quarterly revenue from sales in the United States and Canada increased by 23% over the prior comparable period. The Europe, Middle East, and Asia regional sales increased quarter over quarter, primarily as a result of a general acceptance of the Company's products in this growing market.

Revenue by category:

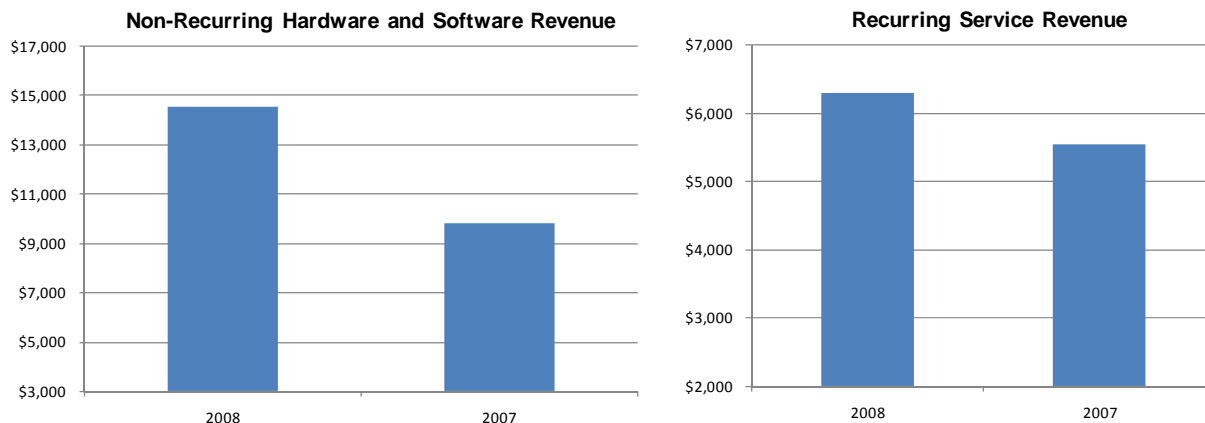
| | For the three months ended July 31 | | For the twelve months ended July 31 | |
|---|------------------------------------|-----------------|-------------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Non-Recurring Hardware and Software Revenue | \$ 3,170 | \$ 2,340 | \$ 14,517 | \$ 9,775 |
| Recurring Service Revenue | 1,665 | 1,496 | 6,293 | 5,529 |
| | \$ 4,834 | \$ 3,836 | \$ 20,810 | \$ 15,304 |

The Company earns revenue from two sources: (i) non-recurring hardware and software sales; and (ii) recurring subscriber revenues. The Company's non-recurring hardware and software sales grew to \$14,517 for the year ended July 31, 2008 representing growth of 49% over the prior year. The recurring subscriber revenue earned from monitoring the locators which the Company sells grew by 14% over the prior year and comprised 30% (2007-36%) of total revenue. Recurring revenue growth lags in overall revenue growth as a result of increased "hardware only" sales as a percentage of total sales and due to the fact that a large sale in the latter half of the year in Mexico will not attract subscription revenue until the next fiscal year. The lag in growth of subscriber revenue is consistent with historical experience.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

Revenues by category:

Years ended July 31, 2008 and July 31, 2007



Gross Profit and Gross Profit Margins

Gross profit grew by 16% to \$10,200 for the year ended July 31, 2008 from \$8,768 in the prior year, due to overall growth in revenue. Gross profit margin for the year was 49% compared with 57% for the prior year, a decline of eight percentage points. This decline in profit margin is largely due to the increase in the percentage of revenue which comes from hardware and hardware only sales. Such sales attract a lower profit margin than subscription revenues, which grew at a slower pace than hardware sales.

Gross profit decreased by 21% from the prior comparable quarter to \$2,092 for the quarter ended July 31, 2008. Gross profit margin for the quarter was 43% compared with 69% in the fourth quarter of 2007, the 2007 level reflecting an anomaly related to very high margin subscription revenue comprising a larger-than-normal percentage of total revenue for the quarter compared with the more consistent mix of revenue as reported for the most recent quarter.

Operating Expenses

The Company continues to expand its operations to meet the increased demand for its products and to increase its ability to provide billable services to its clients. As a result, the Company experienced a 36% increase in operating expenses year over year. In addition to the expansion of operations which has increased personnel costs and facility and professional fees, the Company has incurred significant non-recurring litigation and new market establishment costs.

Marketing and Sales

Marketing and sales expenses increased by 62% over the prior comparable year and by 73% over the comparable fourth quarter. These increases were entirely due to supporting the growing sales force and the establishment of a dedicated marketing team which completed a refresh of the Company's brand, website and sales literature during the year as well as the reallocation of certain product management expenses. Variable sales commissions relating to hardware sales comprise 28% (2007 – 14%) of the year's marketing and sales expense and 31% (2007 – 14%) of the quarterly marketing and sales expense.

Research and Development

Research and development costs for the year increased by 3% over the prior year due to increased staffing and facility costs to support enhancement of the Company' product portfolio and service offerings.

Research and development costs for the fourth quarter decreased by 13% over the prior comparable quarter due to the cost savings realized from moving previously outsourced work in-

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

house, as well as the reclassification of certain product management costs as marketing and sales costs rather than research and development costs.

During the year the Company released new, custom and next generation products including:

- WebTech Wireless Personal Locator™ (“WT Personal Locator”), the latest handheld GPS tracking application for complete mobile resource management which allows fleet managers to track individual operators in addition to tracking vehicles.
- Next generation Mobile Data Terminal (“MDT”) with enhanced services such as Text to Speech and Voice Command Recognition.
- Version 8.4 of the Company's web-based Quadrant solution, including numerous enhancements to existing features as well as some notable additions designed to increase performance and productivity in the areas of: Mapping (thin client mapping supporting Google Map® and deCarta®, enhanced landmark uploading, creation and optimized routing and full polygon geofencing); Reporting (HOS Summary Reports, Driver Activity and Summary Reports, Enhanced Excel formatting and New Report Schedule Editor); Portal and Web Applications (Vehicle Maintenance System enhancements, and French Language Support), as well as enhancements in the areas of data push and data export (Iridium), extended geofence support, QConfig and MDT over the air (“OTA”) functionality.
- Network certification and introduction of the new low cost WT5000G (“5000 Lite”) aimed at the hardware only segment of the market.
- Development of an enhanced trip recorder providing new reporting triggers and storage of additional vehicle data, development of next generation features related to communications with various in-vehicle data buses, and a production start for the next generation locator.
- Introduction of a Power Line Carrier (“PLC”) ID system for positive identification of tractor trailer pairing.
- Development progress on its previously announced Application Specific Integrated Circuit (“ASIC”), designed for installation on the large volume assembly lines of automotive manufacturers, and delivery of telematics and LBS to passenger and commercial vehicles.
- Quadrant Express a robust, proven vehicle tracking and reporting platform in a convenient hosted package.
- NAVTEQ map data launched into the important emerging market of Mexico.
- A previously announced integration of Motorola's embedded G24 JAVA wireless module in WebTech's locators, allowing the large community of JAVA programmers to add custom functionality to the locator and leverage the wide set of existing JAVA applications

The Company continues to invest in research and development activities to maintain technical leadership in consumer automotive and transportation markets.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

General and Administration

General and administration expenses have increased by 55% over the prior comparable year and 100% over the prior comparable quarter primarily due to: accounts receivable provisions; non-recurring litigation costs; investment in the Company's employee base and operating infrastructure to meet increased demands for its products; and develop new strategic channels. General and administration expenditures increased 54% compared with the third quarter of this year and increased as a percentage of total sales from 20% in the prior comparable quarter to 32% in the quarter ended July 31, 2008.

Asset Backed Commercial Paper

As at July 31, 2008, the Company held \$3,669 (Face value – \$6,000) of non-bank sponsored asset backed commercial paper ("ABCP") invested in Structured Investment Trust III ("SIT III") Series A. This financial asset is classified as held for trading and is measured at fair value. The maturity date of this ABCP was originally December 2007. At the time the Company acquired this investment, the non-bank sponsored third party ABCP was rated as R-1 (High) by DBRS Limited ("DBRS"), the highest credit rating for commercial paper. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

DBRS placed certain of the ABCP vehicles ("Conduits") "Under Review with Developing Implications" following the August 16, 2007 announcement that a group representing banks, asset providers and major investors had agreed in principle to a long-term proposal and interim agreement to convert the ABCP into term floating-rate notes ("FRNs") maturing no earlier than the scheduled termination dates of the underlying assets (the "Montreal Accord").

On September 6, 2007, a Pan-Canadian Investors Committee (the "Committee") consisting of a group of large ABCP investors was formed. The Committee subsequently retained Goodmans LLP and JP Morgan Chase as legal and financial advisors, respectively, to oversee the proposed restructuring process.

On December 23, 2007, the Committee announced that an agreement in principle had been reached regarding a comprehensive restructuring ("Restructuring") of the affected ABCP. Once implemented, the restructuring plan will: (i) replace the affected ABCP with long-term notes ("Replacement Notes") whose maturity is similar to that of the underlying assets; (ii) pool certain series of the affected ABCP which are supported in whole or in part by underlying synthetic assets; and (iii) mitigate the margin call risk associated with many of the existing conduits (including SIT III – Series A) by reducing the probability of a margin call and also providing a credit facility to draw upon should a margin call occur.

On March 17, 2008, the Ontario Superior Court of Justice granted an application by the Committee under the Companies' Creditors Arrangement Act ("CCAA") establishing procedures for noteholder approval of the Restructuring. Under the CCAA, the Restructuring had to be approved by a majority of noteholders (regardless of the size of their holdings) as well as by noteholders representing not less than two thirds of the total aggregate principal amount of affected ABCP investments. At a meeting held on April 25th, 2008, 96% of noteholders, by number and value endorsed the Restructuring. The Restructuring was then sanctioned by the Ontario Superior Court of Justice on June 5, 2008.

On June 18, 2008 proceedings were taken by a number of corporate noteholders, including the Company in the Ontario Court of Appeal seeking to challenge the Ontario Superior Court of Justice decision that sanctioned the Restructuring. The Ontario Court of Appeal heard the matter on June 25 and 26, 2008 and as at July 31, 2008 had not issued a decision on the matter.

Subsequent to July 31, 2008, the Ontario Court of Appeal upheld the sanction order from the Ontario Court of Appeal. Since then numerous parties, including the Company, sought leave to appeal this order to the Supreme Court of Canada. This leave to appeal was rejected by the Supreme Court on September 19, 2008.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

The Company has since been informed that it can expect to receive its Replacement Notes on or around October 31, 2008.

Given the disruption in the third party sponsored ABCP market, quoted market values of such investments including the Replacement Notes are not available. Accordingly, the Company has determined the fair value of its investments in ABCP using available information regarding the Restructuring, market conditions and other factors as at the measurement date. Should the Restructuring be successful, the ABCP investments will be converted into Replacement Notes with maturities matching the underlying assets. The Replacement Notes will bear interest rates commensurate with the nature of the underlying assets less the cost of the margin funding facility and other administrative expenses.

Notwithstanding the belief that the Restructuring will go forward there remains uncertainty as to whether a secondary market for the resulting securities will develop after the restructuring. This impacts the Company's ability to estimate the amount and timing of cash flows associated with the Company's ABCP investment.

Pursuant to the Restructuring, the Company will receive Replacement Notes consisting of approximately \$5.35 million in new notes of various classes issued by a trust referred to as a "master asset vehicle" ("MAV2") that will include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement to post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include credit card receivables, residential and commercial mortgage backed securities and cash equivalents. The pooling of the leveraged investments, the traditional assets and cash is expected to increase the stability of the new notes by using the traditional assets and available cash to meet any potential margin calls. In addition, the Company has elected to hold notes issued by the particular master asset vehicle in which investors will not be required to advance funds to meet future margin calls, should they occur. The master asset vehicle will arrange a margin funding facility to meet potential margin calls. The Company expects that approximately 94% of the new notes (Classes A1 and A2) will pay interest and will be assigned an investment grade rating. The remainder of the new notes (Classes B and C), which will not be rated, are expected to accrue interest that will be paid only after the investment grade notes are fully repaid. The Company also expects to receive \$0.65 million of notes referred to as Ineligible Asset tracking notes (Class 14) which will track the performance and repayment of the related underlying assets in certain conduits with significant exposure to the US residential mortgage market.

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 April 30, 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: | 10 % |
| 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.

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

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 \$159 and for every 200 bps decrease in the weighted average discount rate, the valuation increases by \$81.

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 \$3,669 at July 31, 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.

During the year ended July 31, 2008, the Company recorded a reduction in fair value of \$2,331 as a reduction in fair value since the loss on its ABCP is considered to be other than temporary.

Since the fair value of the resulting securities are determined using a discounted cash flow approach and are based on the Company's assessment of market conditions as at July 31, 2008, the fair values reported may change materially in subsequent periods.

No estimate of the restructuring costs, which have been stated as being immaterial by the restructuring committee, nor any interest income which may have been accrued since August 13, 2007, have been included in the fair value assessment due to a lack of verifiable information. Any interest income earned will be recognized on a cash basis.

Net Operating Loss and Net Loss

The Company is reporting an operating loss of \$5,818 (2007 - \$2,982) for the year ended July 31, 2008 as it continues to invest in expanding its employee base and operating infrastructure to meet increased demands for its products and to develop new strategic channels. The operating loss was also impacted by non-recurring legal fees and foreign exchange, which impacts both gross margins and revenues.

The Company realized a net loss of \$7,793 (2007 - \$26,158) with the additional loss being attributed to a mark to market reduction of \$2,331 (2007 - nil) on its ABCP and a foreign exchange loss of \$110 (2007 - \$1,499) somewhat offset by interest income from the investment of excess working capital of \$466 (2007: \$873). During the quarter ended, the Company realized a net loss of \$2,237 (2007 - \$7,121) with other gains from interest income of \$47 (2007 - \$251) and foreign exchange of \$159 (2007 - loss \$883). The prior year net loss figures include \$22,179 of one-time costs related to the write off of amounts owed by and inventory built for the Company's former distributor in Brazil.

Loss per share decreased to \$0.13 per share for the year ended July 31, 2008 from \$0.49 per share for the year ended July 31, 2007. Loss per share for the quarter was \$0.04 compares to a loss of \$0.12 in the prior comparable quarter.

Litigation

On May 11, 2007 the Company was served with notice of a lawsuit filed by Lunar Eye Inc. ("Lunar Eye") in the Eastern District of Texas, alleging patent infringement by the Company. On June 10, 2008 the Company received notice from the US Patent and Trademark Office ("USPTO") that the patent in question had been rejected by the USPTO based on evidence in a Request for Re-Examination filed by the Company. Lunar Eye has appealed the decision of the USPTO and the outcome of this appeal is not yet known. In addition the Company has filed a Motion for Summary Judgment with the trial judge in the case, based on significant prior art it has discovered and which was for sale well before the patent in question was granted. Based on the foregoing, the Company believes the Lunar Eye lawsuit to be without merit.

The Company has filed or is in the process of filing, a number of lawsuits in Brazil against its former distributor in Brazil, Crown Telecom Inc. ("Crown"), the principal of Crown and certain companies related to Crown. The Company has previously reached certain partial settlement agreements with Crown under

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

which Crown has granted the Company an irrevocable and complete release from any litigation action by Crown against the Company. Despite this release, Crown has obtained a judgment against the Company in a counter suit against the Company for business interference including a claim of R106,000,000 (C\$60 million) from a lower court in Brazil. As the Company believes that due process was not followed in grant the Crown judgment, in that the Company was not accorded the opportunity to present evidence or to respond to the accusations from Crown in this case, the Company does not believe the judgment is valid, nor will stand up to scrutiny from a more senior and independent court. As such, the Company is appealing the decision and has made no provision in its accounts for this judgment.

Use of Proceeds

In January 2007 the Company raised \$40.25 million through the sale of common shares. Proceeds from this financing were intended for the purpose of supporting consumer automotive initiatives in Brazil in the amount of \$18 million (including a \$12 million loan to Crown Telecom, the Company's distributor in Brazil), \$4 million for additional research and development activities and \$6 million for sales and marketing activities and increased operational and organizational expenses, with the balance to be used for general working capital purposes. The proceeds were applied as \$22.2 million to investments in building inventory for sale to and providing trade financing to Crown Telecom with the balance deployed as per the offering document.

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Information

| (in thousands except share amounts) | Q1 2007 | Q2 2007 | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 |
|-------------------------------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| Revenue | \$ 3,907 | \$ 3,639 | \$ 3,922 | \$ 3,836 | \$ 4,711 | \$ 5,209 | \$ 6,056 | \$ 4,834 |
| Gross Profit | \$ 1,914 | \$ 1,695 | \$ 2,514 | \$ 2,645 | \$ 2,198 | \$ 2,795 | \$ 3,115 | \$ 2,092 |
| Gross Margin % | 49% | 47% | 64% | 69% | 47% | 54% | 51% | 43% |
| Expenses | \$ 1,990 | \$ 2,921 | \$ 3,127 | \$ 3,712 | \$ 3,282 | \$ 3,753 | \$ 4,275 | \$ 4,708 |
| Net earnings (loss) | \$ 34 | \$ (393) | \$ (18,678) | \$ (7,121) | \$ (1,758) | \$ (1,675) | \$ (1,949) | \$ (2,410) |
| EPS (Basic) | Nil | \$ (0.01) | \$ (0.35) | \$ (0.13) | \$ (0.03) | \$ (0.03) | \$ (0.03) | \$ (0.04) |
| EPS (Diluted) | Nil | \$ (0.01) | \$ (0.35) | \$ (0.13) | \$ (0.03) | \$ (0.03) | \$ (0.03) | \$ (0.04) |
| Total Assets | \$ 22,531 | \$ 61,522 | \$ 42,218 | \$ 36,716 | \$ 35,406 | \$ 33,229 | \$ 29,023 | \$ 28,185 |
| Total Long Term Liabilities | Nil | Nil | Nil | Nil | \$ 90 | \$ 114 | \$ 661 | \$ 627 |

The Company has continued its organic approach to growth through increased direct sales to small and medium sized customers as well as larger government and commercial clients. To further extend its reach, the Company has also signed agreements with distributor's resulting in additional sales. The sales cycle to customers, depending on complexity of the product and services provided, can vary from a few weeks to many months. In addition, the Company continues to seed the market by selling product to large potential customers for use on a trial basis. Some of these trials may last for over one year. Consequently results may vary from quarter to quarter as sales cycles or trials may close in a particular quarter or slip into a later quarter. Quarterly results are also affected by factors such as the seasonality of the buying patterns of customers and fluctuations in the US-Canadian dollar exchange rate.

LIQUIDITY AND CAPITAL RESOURCES

Current assets

The Company's total current assets at July 31, 2008 totaled \$22,792 (July 31, 2007 - \$35,695).

Long-term investments

The Company's long-term investments at July 31, 2008 totaled \$3,669 (July 31, 2007 - nil) and were entirely composed of an investment in SIT III, being ABCP currently frozen until the restructuring of the ABCP, as proposed by the Committee is completed. The Company has since been informed that it can expect to receive its Replacement notes on approximately October 31, 2008.

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

Working capital

At July 31, 2008, the Company had positive working capital of \$19,185, compared with \$31,792 at July 31, 2007. Working capital has declined as a result of the reclassification of the investment in SIT III from a short term investment to a long term investment and the corresponding reduction in fair value of \$2,331, and the use of cash to fund operations. The Company also had available a credit facility of up to \$1,000, subject to margin criteria, with a Canadian chartered bank, the margin facility was not utilized at July 31, 2008. This facility has since been retired and replaced with a \$5,000 facility secured by similar charges on the assets of the Company.

The Company has been a net user of cash in the past several quarters as it has built up inventories and purchased long lead time parts in order to meet expected demand and as it has faced certain non-recurring costs and grown its operating expenses to meet increased demand for its products. The Company does not expect this use of cash to continue in the long term and believes it has the ability to generate cash from operations in both the short and long term. The Company has historically grown organically and does not have any significant commitments nor does it anticipate any large capital or other cash outlays in the near term which would require it to seek financing. It is the Company's expectation that through the first half of fiscal 2009, it will reduce its inventory on hand and that as these goods are delivered to customers and the resulting accounts receivable collected the Company's overall cash position will improve. The Company also anticipates being able to convert certain of its long term investments to cash in the fourth calendar quarter of 2008 either through leveraging or selling the Replacement Notes it expects to receive under the terms of the ABCP settlement process described elsewhere in this document (See "Asset Backed Commercial Paper").

Subject to the factors set out elsewhere in this document, including Risks and Uncertainties and in the Company's AIF, the Company does not currently foresee any working capital deficiencies.

Working capital balances are the result of equity financings and funds received from the exercise of incentive stock options and share purchase warrants. In January 2007, the Company raised \$37,534 (\$40,250 gross proceeds net of cash issue costs) from the issuance of common shares.

Notwithstanding the Company's strong working capital position, the Company may be dependent on future financing in order to satisfy future growth activities.

Cash and cash equivalents

At July 31, 2008, the Company had cash and cash equivalents of \$7,246, compared with \$22,344, at July 31, 2007. During the year the Company used cash to fund operating activities which is net income adding back non-cash items, of \$3,964 (2007 - \$5,650) and used cash of \$1,815 (2007- used \$17,700) to fund non-cash working capital items, mainly attributable to an increase in inventory. The Company's SIT III investment was frozen due to unfavorable conditions in the Canadian capital markets, requiring a write-down of the investment value and its reclassification to a long term investment of \$6,000. The Company also used cash of \$1,226 for the purchase of new capital assets required for an expansion of its headquarters office space. The Company has an agreement with its landlord to recover up to \$750 for this project of which \$470 was received in May 2008, with the balance expected to be recovered at the end of the building project and to be sufficient to cover approximately 90% of the total cost of the project.

Accounts receivable

Accounts receivable of \$4,346 (2007 - \$4,128) includes amounts due from four customers with large volume sales contracts, comprising 31.4% of total accounts receivable. At July 31, 2008, accounts receivable comprised aged amounts greater than 120 days as follows: 5% over 120 days; and 21% over 180 days. Of these amounts 27% has been collected, totaling \$309.

From time to time, the Company may avail itself of growth opportunities by granting extended credit terms to its resellers and distributors with large volume orders, reducing accounts receivable turnover and

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

contributing to larger accounts receivable balances and increased credit risk. No such situations have occurred in the period reported.

The Company's management has reviewed its accounts receivable balances as at July 31, 2008, and believes that an adequate provision has been made for doubtful accounts.

Inventory

Inventory has increased from \$7,640 at July 31, 2007 to \$10,070 at July 31, 2008 as the Company took delivery of inventory previously ordered in excess of amounts sold.

Whilst the Company has used reasonable efforts to estimate the realizable value of this inventory, it is not certain that all of the inventory on hand or under contract for manufacture will be sold on a timely basis and for a reasonable return, and while unlikely, it is still possible that the Company will require a further charge for the remaining inventory on hand.

Prepaid expenses and deposits

Prepaid expenses and deposits primarily relate to amounts paid to manufacturers in advance of receiving inventory. Prepaid expenses and deposits decreased from \$1,583 at July 31, 2007 to \$1,130 at July 31, 2008, which reflects the delivery of goods previously recorded as deposits.

COMMITMENTS

The Company has entered into leases for premises with the following total minimum payments:

| | |
|-------------------|-----------------|
| 2009 | \$ 392 |
| 2010 | 350 |
| 2011 | 373 |
| 2012 | 373 |
| 2013 through 2017 | 1,911 |
| Total | \$ 3,399 |

The Company has no commitments outside the normal course other than the lease commitments described above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company evaluates its estimates on an on-going basis, including: bad debts, investments, inventories, prepaid expenses, intangible assets, future income taxes, litigation, and other contingencies. These estimates are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

The accounting policies that have had, or will have, a significant impact on the Company's reported earnings are discussed below:

The Company recognizes revenue when there is persuasive evidence of an arrangement with a customer; the fee is fixed and determinable, the hardware and software is shipped and when management has

WEBTECH WIRELESS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the year and quarter ended July 31, 2008
This document is dated October 8, 2008.
(Dollar amounts in 000's)

determined that the revenue is collectible. Recurring subscriptions revenue from tracking services is invoiced in advance and deferred and recognized on a monthly basis as the services are provided. Payments received in advance from customers are recorded as deferred revenue.

For management and financial statement purposes, the Company evaluates the carrying value of inventory to determine if provisions are necessary to reduce such carrying amounts to net realizable value as set out in its accounting policies. Customer market conditions and external values of inventory items are evaluated in the determination of net realizable value. If customer market conditions become less favorable than expected, additional inventory provisions may be required. Actual net realizable value could differ materially from estimates made by management for inventory valuation purposes.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of its customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

Other significant judgments and estimates used in the preparation of the Company's financial statements are noted elsewhere in this document and in the Company's financial statements.

GOING CONCERN

To date, the Company has financed its operations and growth primarily through equity financing and cash generated from operations. The Company's consolidated financial statements have been prepared in accordance with GAAP on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to continue as a going concern, which presumes the continuity of operations and realization of assets and discharge of liabilities in the normal course of business for the foreseeable future is dependent on a number of factors including the ability of the Company to realize profits and obtain the necessary financing to fund growth. The Company's financial statements do not contain any adjustments related to the carrying value and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

NEW ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA) has issued 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 ending 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

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

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.

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.

Section 3863 – Financial Instruments – Presentation

This section requires entities to provide presentation of financial instruments in their financial statements that enable users to understand the significance of the impact to an entity's financial position, performance and cash flows. The presentation specifies the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Sections 3064 and 1000 – Goodwill and Intangible Assets

CICA 3064 replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of IAS 38, Intangible Assets. CICA 1000 is amended to clarify criteria for recognition of an asset. CICA 3450 is replaced by guidance in CICA 3064. EIC 27 is no longer applicable for entities that have adopted CICA 3064. AcG 11 is amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. This is effective for interim and annual financial statements for years beginning on or after October 1, 2008.

FOREIGN EXCHANGE

Fluctuations in the exchange rate between the Canadian and US dollar and between the Canadian dollar and the UK pound affect the Company by impacting revenue, expenses and the balance sheet. Although the Company reports in Canadian dollars, for the year ended July 31, 2008, 53% (July 31, 2007 – 52%) of revenues were US dollar denominated and 19% (July 31, 2007 – 28%) were denominated in UK pounds.

A strengthening US dollar increases revenues when reported in Canadian dollars. A weakening US dollar has the opposite effect. As a portion of the Company's inventory costs are denominated in US dollars the impact of foreign exchange fluctuations on gross margin and net income is somewhat mitigated. There is a positive impact on the balance sheet as the value of US denominated receivables increase as the US dollar strengthens against the Canadian dollar. There is some offset as US denominated payables will also decrease at the same time, with the opposite being true when the US dollar weakens against the Canadian dollar. In summary, the offsets between US dollar revenues and expenses and US dollar receivables and payables provide natural hedges for a portion of the Company's foreign exchange exposure.

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

The exchange rate for US Dollars at July 31, 2008 was 0.9749, compared with 0.9384 on July 31, 2007. To date, the Company has not engaged in exchange rate hedging contracts. As noted above the Company also sells to customers in UK pounds and incurs operating costs (primarily from its UK subsidiary) in UK pounds, however the Company's costs of sales are primarily denominated in US dollars. If the UK pound weakens relative to the Canadian dollar, the Company may record losses on translation of its subsidiary's accounts. Historically, fluctuations between the Canadian dollar and UK pound have not had a significant impact on the Company's results.

As at July 31, 2008, the Company held net current monetary balances in US dollars and in UK pounds equal to \$2,399 and \$2,476 respectively (July 31, 2007 US dollars equal to \$3,541 and UK pounds equal to \$1,489).

UPDATE ON PRIOR ANNOUNCEMENTS

On November 1, 2007, the Company announced it had entered into a long term supply agreement with Delta Pevasi SA for the supply of 35,000 WebTech Locator units and related subscriptions over a three year period. No significant shipments or sales have resulted from this arrangement and the Company is unaware when or if, Delta Pevasi will commence orders under this arrangement.

On June 20, 2008, the Company announced the appointment of a new distributor in Brazil, SB Tec S.A., and an initial delivery of 20,000 WebTech Locator units to be made in the fiscal year ended July 31, 2008. Due to unforeseen circumstances SB Tec has been unable to fulfill all of its obligations under this initial order and as such the Company has not recognized revenue on 13,000 Locators which had previously been delivered to SB Tec's common carrier.

ADDITIONAL RISKS

In addition to those risks and uncertainties described elsewhere in this document, the Company is subject to the following risks and uncertainties which are described in greater detail in the Company's AIF:

- The Company has grown quickly and expects to continue growing. If the Company is unable to effectively manage this growth its ability to operate effectively would be impaired.
- The Company may not be able to sustain profitability from operations for the current fiscal year and beyond.
- The Company operates in a rapidly evolving technology market. Its continued success depends on its ability to keep pace with these technology changes.
- The Company may not be able to continue to protect its intellectual property from unauthorized exploitation by others and to protect itself from claims of infringement by others.
- The Company may require further financing to fund its growth and such financing may not be available on acceptable terms, or at all.
- The Company's industry is very competitive and includes several competitors with greater resources than the Company.
- The Company depends on several suppliers and service providers to provide critical components for its products and services.
- The Company relies on distributors to sell its products in various countries around the world. There is a risk that certain of these distributors may terminate their relationship with the Company. If such relationships are terminated, alternate distributors may not be available in those regions.
- The Company may be subject to product liability claims arising from the use of its products and services which could, if successful, adversely impact the Company's business.
- The Company provides credit to its customers in the normal course of operations. The Company estimates, on a continuing basis, the probable losses, and records a provision for such losses based on the estimated realizable value. There is no assurance that this provision will be adequate.
- The Company may have significant inventory volumes that could be subject to write down due to obsolescence.

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

- Insurance to cover the risks to which the Company's activities will be subject may not be available at economically feasible premiums or at all. There is no assurance that in the event of claim or loss that the Company will have adequate insurance coverage.
- The Company provides its customers with a limited warranty on its products. Despite quality control procedures, there is no assurance that the Company's provision for this warranty is adequate.
- The Company's success depends on its ability to attract and retain highly skilled engineering, managerial, marketing and sales personnel. Competition for qualified personnel in the wireless and wireless data industries is intense. The Company believes that there are only a limited number of persons with the requisite skills to serve in many key positions and the Company may not be able to hire and retain these persons.
- Fluctuations in the exchange rate between the Canadian and US dollars and between Canadian dollars and UK pounds affect the Company by impacting revenue, expenses and the balance sheet.
- The Company's stock price may experience significant fluctuations due to operating performance, performance relative to analysts' estimates, disposition or acquisition by a large shareholder, a law suit against the Company, the loss or acquisition of a significant customer or distributor, industry-wide factors and factors other than the operating performance of the Company. These factors, among others, may cause decreases in the value of the Common Shares.
- The Company operates in a global marketplace with sales in numerous countries and is exposed to numerous regulatory regimes.
- The Company's operations are dependent upon its ability to protect its network infrastructure, portal system and customers' equipment against damage from human error, fire, earthquakes, floods, power loss, telecommunications failures, power failure, sabotage, intentional acts of vandalism and similar events.
- The Company's success is dependent on its ability to market its products and services.
- The Company's results could be adversely affected by changing economic conditions in the countries in which it operates.
- The Company has four foreign subsidiaries, one is incorporated and operating in the United Kingdom, one is incorporated and operating in Brazil, one is incorporated and operating in the US and the fourth is incorporated in Barbados. Such subsidiaries are subject to the laws of their jurisdiction of incorporation and any changes to such laws.
- The Company's portal system is subject to failure due to loss of power, connectivity or human error. In the event that the Company's systems become inoperative for a period of time, the Company could be adversely affected by a reduction in customer satisfaction, loss of business and litigation.
- The Company depends on signals from GPS satellites built and maintained by the US Department of Defense. Availability of these satellites is dependent on the US Department of Defense continuing to maintain the satellites and could be affected by future government regulation.
- The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Company's Common Shares.
- The Company depends on a small number of customers for a significant portion of its revenue. The Company sells primarily to fleet managers and other high volume users of fuel, who are exposed to changes in the price of oil and related distillates. As such, its customers may be adversely affected by the volatility and increases in such prices, and thus reducing their capacity to purchase the Company's products.
- The future growth of the Company depends in part on the successful deployment of next generation wireless data and voice networks by third parties for which the Company is developing products.
- Future growth of the Company depends in part on the successful deployment of next generation wireless data and voice networks by third parties for which the Company is developing products. If these network operators cease to offer effective and reliable service, or fail to market their services effectively, sales of the Company's products will decline and revenues will decrease.
- As part of the business strategy of the Company, the Company may acquire additional assets and businesses principally relating to or complementary to the Company's current operations. Any acquisitions and/or mergers will be accompanied by the risks commonly encountered in acquisitions of companies.

WEBTECH WIRELESS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year and quarter ended July 31, 2008

This document is dated October 8, 2008.

(Dollar amounts in 000's)

- The Company holds \$6 million in investments in Structured Investment Trust III, which the Company has valued as a Long Term Investment with a market value at \$3.669 million as at July 31, 2008. This valuation is based upon certain assumptions which could prove to unreliable or incorrect. Were this to be the case, the Company may realize the full amount of its current valuation of this investment and further losses on this investment may have to be recognized.

OUTSTANDING SHARE DATA

As at October 6, 2008, the Company had 57,875,118 common shares outstanding. The Company has 3,706,860 share purchase options outstanding entitling the holders to purchase one common share for each option held at prices from \$0.47 to \$6.98 per share expiring on various dates up to July 31, 2013.

SEDAR

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at www.sedar.com.