



CONSOLIDATED FINANCIAL STATEMENTS

**For the Five Months Ended December 31, 2008
and the Year Ended July 31, 2008**

Auditors' Report

To the Shareholders of WebTech Wireless Inc.

We have audited the consolidated balance sheets of **WebTech Wireless Inc.** as at December 31, 2008 and July 31, 2008 and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the five month period ended December 31, 2008 and the year ended July 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 December 31, 2008 and July 31, 2008 and the result of its operations and its cash flows for the five month period ended December 31, 2008 and the year ended July 31, 2008 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, B.C.
March 9, 2009

WEBTECH WIRELESS INC.
CONSOLIDATED BALANCE SHEET

(Amounts in 000's)

	<i>31-Dec-08</i>	<i>31-Jul-08</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 3,889	\$ 7,246
Accounts receivable, net of allowance	7,769	4,345
Inventory, net of allowance	8,629	10,070
Prepaid expenses and deposits	452	1,131
	20,739	22,792
Property and equipment (Note 6)	1,615	1,638
Property under development (Note 6)	9	86
Long-term investments (Note 7)	3,000	3,669
	\$ 25,363	\$ 28,185
	\$ 25,363	\$ 28,185
LIABILITIES		
Current		
Bank indebtedness (Note 8)	\$ 1,000	\$ -
Accounts payable and accrued liabilities	1,991	3,224
Current portion of deferred revenue	685	383
	3,676	3,607
Long term		
Deferred lease inducement	642	534
Deferred revenue	274	93
	916	627
	4,592	4,234
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	59,689	59,620
Contributed surplus (Note 10)	4,131	1,791
Deficit	(43,049)	(37,460)
	20,771	23,951
	\$ 25,363	\$ 28,185
	\$ 25,363	\$ 28,185

Commitments (Note 13)
Subsequent event (Note 15)

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 number of shares and per share amounts)

	<i>For the five-month period ended 31-Dec-08</i>	<i>For the year ended 31-Jul-08</i>
	<u> </u>	<u> </u>
Revenue	\$ 11,401	\$ 20,810
Cost of goods sold	<u>6,496</u>	<u>10,610</u>
Gross profit	<u>4,905</u>	<u>10,200</u>
Expenses		
Sales and marketing	3,855	7,044
Research and development	2,150	3,935
General and administration	2,476	4,516
Amortization	<u>221</u>	<u>523</u>
	8,702	16,018
Loss before other items	<u>(3,797)</u>	<u>(5,818)</u>
Other items		
Interest income	22	466
Foreign exchange gain (loss)	875	(110)
Loss in the fair value of long-term investments	(669)	(2,331)
Stock-based compensation expense - cancelled stock options (Note 9)	(2,020)	-
Net loss and comprehensive loss for the period	<u>\$ (5,589)</u>	<u>\$ (7,793)</u>
Deficit, beginning of the period	(37,460)	(28,187)
Shares repurchased - excess of purchase price over carrying value	-	(1,480)
Deficit, end of period	<u><u>\$ (43,049)</u></u>	<u><u>\$ (37,460)</u></u>
Accumulated other comprehensive earnings		
Balance - beginning and end of period	\$ -	\$ -
Basic and fully diluted (loss) per share	\$ (0.10)	\$ (0.13)
Weighted average number of shares outstanding during the period	57,908,624	58,060,842

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

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in 000's)

	<i>For the five-month period ended 31-Dec-08</i>	<i>For the year ended 31-Jul-08</i>
	<u> </u>	<u> </u>
Operating Activities		
Net loss for the period	\$ (5,589)	\$ (7,793)
Add items not affecting cash:		
Amortization	221	523
Stock-based compensation	341	1,024
Stock-based compensation expense - cancelled stock options (Note 9)	2,020	-
Amortization of leasehold inducement	24	(49)
Loss in the fair value of long-term investments	669	2,331
	<u> </u>	<u> </u>
	(2,314)	(3,964)
Changes in non-cash working capital items related to operations:		
Accounts receivable	(3,424)	(217)
Inventory	1,441	(2,430)
Prepaid expense and deposits	679	452
Accounts payable and accrued liabilities	(1,233)	(309)
Deferred revenue	483	216
Deferred lease inducement	84	473
	<u> </u>	<u> </u>
	(4,284)	(5,779)
Financing Activities		
Common shares issued, net of costs	48	233
Bank indebtedness	1,000	-
Shares repurchased	-	(2,326)
	<u> </u>	<u> </u>
	1,048	(2,093)
Investing Activities		
Purchase of capital assets	(112)	(693)
Purchase of property under development	(9)	(533)
Purchase of long-term investment	-	(6,000)
	<u> </u>	<u> </u>
	(121)	(7,226)
Net decrease in cash during the period	(3,357)	(15,098)
Cash and cash equivalents, beginning of period	<u>7,246</u>	<u>22,344</u>
Cash and cash equivalents, end of period	<u>\$ 3,889</u>	<u>\$ 7,246</u>
Cash and cash equivalents consist of:		
Cash	\$ 3,889	\$ 7,246
	<u> </u>	<u> </u>
	\$ 3,889	\$ 7,246
Supplemental cash flow information		
Interest paid	\$ 15	\$ 3
Income taxes paid	-	-
Non-cash Transactions		
Transfer of property under development to property and equipment	\$ 86	\$ 448

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the five-month period ended December 31, 2008 and the year ended July 31, 2008
(Expressed in 000's except per share amounts)

Note 1 Nature of Operations

WebTech Wireless Inc. (the "Company" or "WebTech") develops, sells and provides subscriber and other services for location-based and telematics hardware and software. 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.

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

Note 2 Significant Accounting Policies**Change in year-end**

The Company changed its year-end from July 31, to December 31, effective December 31, 2008. Accordingly, these consolidated financial statements include five months of operations to December 31, 2008 and have been compared to figures for the twelve-month period ended July 31, 2008.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") 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., incorporated in the United States (US), WebTech Wireless Europe Ltd., incorporated in the United Kingdom (UK), WebTech Wireless Brasil Processamento De Dados S.A., 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 Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, long-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

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

- Cash, 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 "Receivables and loans" and are recorded at amortized cost using the effective interest rate method, 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 and bank indebtedness are classified as "Other financial liabilities" and are measured at amortized cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in 000's except per share amounts)

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 GAAP, 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.

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%

Impairment of Long-lived Assets

The Company reviews the carrying values of its property and equipment for impairment 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.

Revenue Recognition and Warranty Provision

The Company derives revenue from the sale of vehicle tracking hardware and software as well as professional services associated with customizing its product. 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 or determinable, the hardware and software is shipped and when management has determined that the revenue is collectible. Revenue from tracking services is invoiced in advance and deferred and recognized on a monthly basis as the services are provided.

Generally, a one-year warranty on hardware sales is provided by the Company. A warranty provision equal to 1% of 12-month trailing hardware sales is provided in the accounts. The Company periodically reviews the adequacy of this warranty provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in 000's except per share amounts)

Research and Development

Research expenditures are expensed when incurred. Development costs are capitalized in the event they meet generally accepted standards for capitalization criteria, otherwise they are expensed as incurred. 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 employee share purchase option grants is calculated at the grant date and expensed over the vesting period of the grant with a corresponding increase to contributed surplus. The fair value of stock-based payments to non-employees is re-measured at each balance sheet date 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 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 which requires the input of highly subjective assumptions.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are calculated by dividing net earnings (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 using 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 such rates are substantively enacted. 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.

Changes in accounting policies**(a) Capital Disclosures**

Effective August 1, 2008, the Company adopted the recommendations included in the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 1535, Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the five-month period ended December 31, 2008 and the year ended July 31, 2008
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capital. The additional disclosures, required as a result of the adoption of these standards, have been included in Note 5, Capital management.

(b) Financial Instruments

On August 1, 2008, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures and section 3863, Financial Instruments - Presentation. Section 3862 requires disclosure of the significance of financial instruments to an entity's financial position, the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. The additional disclosures, required as a result of the adoption of these standards, have been included in Note 4, Financial instruments.

(c) Inventories

Effective August 1, 2008, the Company adopted CICA Handbook Section 3031, Inventories, which has replaced Section 3030 of the same title. This new Section aligns Canadian GAAP with International Financial Reporting Standards (IFRS) and establishes four basic principles: Inventory should be measured at the lower of cost and net realizable value; the cost of inventory includes costs directly attributable to its acquisition as well as an appropriate portion of fixed and variable production overheads; if the units in inventory are interchangeable, their cost should be determined using either a first-in first-out or weighted average cost formula; and write-downs of inventory to net realizable value should be reversed if the value subsequently recovers.

Inventory is comprised primarily of parts and finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average 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. The adoption of Handbook Section 3031 resulted in a change in determining the cost of inventory from the first-in first-out method to the weighted average cost formula, reducing the opening balance at August 1, 2008 by \$46.

Note 3 Recent Accounting Pronouncements**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 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. CICA 1000 is amended to clarify criteria for recognition of an asset. These sections are effective for interim and annual financial statements for years beginning on or after October 1, 2008. The Company does not expect these new standards to have a material effect on its financial statements.

Convergence with International Financial Reporting Standards

In January 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan calling for the evolution and convergence of Canadian GAAP with IFRS, after a specified transition period, by publically accountable enterprises in Canada. The AcSB has more recently confirmed January 1, 2011 as the date IFRS will replace current Canadian GAAP standards and interpretations entities like the Company. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements beginning January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010.

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The impact of the adoption of these standards is not known at this time.

Note 4 Financial Instruments

The Company is exposed to a number of risks related to changes in foreign currency exchange rates, interest rates, collection of accounts receivable, settlement of liabilities and management of cash and cash equivalents.

The Company has established policies and procedures to manage these risks, with the objective of minimizing the adverse effects that changes in these variables could have on the Company's consolidated financial statements.

a) Fair Value of Financial Instruments:

Other than long-term investments, bank indebtedness, and accounts receivable, the fair value of the Company's financial instruments approximates their carrying amount due to their short term nature. The estimated fair value of long-term investments is described in Note 7.

b) Credit risk:

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss being incurred by the Company. Recent events in global financial markets continue to impact the global economic environment. These events are not directly related to the Company or the industry in which it operates, however, there may be an impact on the Company over the course of time. It is possible that reduced economic activity may adversely affect the Company's operating results and financial condition through increased credit risk associated with the Company's financial instruments. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, long term investments, bank indebtedness and accounts receivable.

The Company limits its exposure to credit loss by maintaining its cash and cash equivalents with high credit quality financial institutions in Canada, the United States and the United Kingdom. The Company's cash equivalents consist of call deposit investments with two of these institutions. The Company's Canadian banks are members of the Canadian Deposit Insurance Corporation. The Canadian Deposit Insurance Corporation provides insurance coverage up to a maximum of \$100,000 on chequing and savings accounts with these banks. Of the amounts held with financial institutions on deposit, \$135 is covered by the Canadian Deposit Insurance Corporation, meaning that in the event that the financial institutions with which the deposits are held cease trading, \$3,754 of the Company's cash and cash equivalents would be at risk. The Company considers the likelihood of such a loss to be remote.

As at December 31, 2008, the Company had long term investments valued at \$3,000 (Face value – \$6,000) (July 31, 2008 - \$3,669) comprised of non-bank sponsored asset backed commercial paper ("ABCP").(See Note 7)

The Company provides credit to its clients in the normal course of operations. The Company minimizes its credit risk associated with its accounts receivable by performing credit evaluations on customers, maintaining regular and ongoing contact with customers, routinely reviewing the status of individual accounts receivable balances and following up on overdue amounts. Concentration of credit risk with respect to accounts receivable, is considered to be limited as the Company deals with many hundreds of customers in multiple jurisdictions. From time to time, however, the Company does enter into agreements with very large customers that, due to the size of the transaction, will result in some concentration of credit risk. The Company estimates, on a continuing basis, the probable losses on its accounts and records a provision for losses based on the estimated realizable value of the accounts. At December 31, 2008, accounts receivable from five customers comprised an aggregate of 52% of total accounts receivable (July 31, 2008 – 31.4%), of

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which 27% of the total had been collected as of March 4, 2009. During the five-month period ended December 31, 2008, due to a large volume sales contract, one individual customer comprised greater than 10% of sales. Management does not believe that there is significant credit risk arising from any of the Company's customers; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts.

c) Financial assets past due:

The following table provides information regarding the aging of financial assets that are past due but which are not impaired:

Financial assets					
As at December 31, 2008					
	Neither past due nor impaired	Past due 31 - 60 days	Past due 61 - 90 days	Past due 91 days +	Carrying Value on the balance sheet
Trade Accounts Receivable	2,172	1,081	2,149	1,789	7,191
Other Accounts Receivable	578				578
Total	2,750	1,081	2,149	1,789	7,769

As at December 31, 2008, \$5,019 of the Company's accounts receivable balance of \$7,769 was past due. The definition of items that are past due is determined by reference to terms agreed with individual customers. The Company has estimated probable losses on these accounts and recorded a provision for doubtful accounts of \$636. None of the remaining amounts outstanding have been challenged by customers and the Company continues to provide services and products to them. Of the overdue balances at December 31, 2008, \$2,850 or 57% of the amount overdue had been collected as of March 4, 2009. Consequently, management has no reason to believe that the remaining outstanding balance is not fully collectible in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Ongoing contact is made with customers and once items are identified as being past due, further contact is made with the respective debtor to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; management of cash and cash equivalents, including allocation between cash-on-hand and call deposits; and use of a credit facility to bridge timing differences between cash outflows and cash inflows.

As at December 31, 2008, the Company had a credit facility of up to \$5 million, subject to margin criteria, bearing interest at the lender's prime lending rate plus 1.75%. The credit facility is collateralized by a general charge on the assets of the Company. At December 31, 2008, the Company carried a \$1 million balance on this facility (July 31, 2008 – nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the five-month period ended December 31, 2008 and the year ended July 31, 2008
(Expressed in 000's except per share amounts)

At December 31, 2008, the Company's accounts payable and accrued liabilities were \$1,991, 75% of which become due for payment within the normal terms of trade, generally between 30 and 60 days.

Although the global economy and the Company's largest regional market, the United States, suffered a significant downturn in the five-month period ended December 31, 2008, the Company has not experienced any decline in sales. Sales continued an upward trend as a result of large orders attributable to agreements with several new customers. Further weakening of global economic conditions could impact the achievement of management's plans as a result of customer vehicle fleet reduction, and project delays with larger customers.

Historically, the Company has relied on growth in hardware sales and a growing customer base generating recurring revenue to fund operating activity, its credit facility to bridge the timing differences between cash outflows and inflows and several rounds of financing through public equity markets to fund specific growth initiatives. Recent developments in global credit markets have significantly reduced the ability of companies to obtain debt financing or raise capital through public markets and while management does not plan on raising any additional funds through these channels, should circumstances change, the Company's ability to access such capital may be impaired.

e) Market risk

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company generating revenues and incurring expenses in foreign currencies, holding cash and cash equivalents which earn interest and having operations based in the United Kingdom, the United States and Brazil in the form of its wholly owned subsidiaries.

f) Interest rate risk

The Company is exposed to interest rate risk by virtue of holding cash and cash equivalents and bank indebtedness.

The Company's objective in managing its cash and cash equivalents is to ensure that sufficient funds are maintained on hand at all times to meet day-to-day requirements, drawing on the line of credit only at times when there are timing differences between cash outflows and cash inflows and placing excess cash in short-term deposits. When placing cash and cash equivalents on short-term deposit, the Company deals only with high quality commercial banks and ensures that access to the funds can be obtained on short-notice.

Accrued interest payable on the credit facility at December 31, 2008 was nil (July 31, 2008 - nil). Total interest expense for the five-months ended December 31, 2008 was \$15 (July 31, 2008 - \$3).

g) Foreign Currency Risk

The Company's financial results are reported in Canadian dollars. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the US dollar ("USD"), as a majority of the Company's revenues are earned in USD. During the five-month period ended December 31, 2008, 71% of the Company's revenue was in USD and 12% was in British Pounds ("GBP") (July 31, 2008 - 53% and 19%). The Company periodically estimates its obligations payable in these foreign currencies and converts excess foreign funds into Canadian currency to mitigate the risks associated with changes in foreign currency rates. The Company does not currently have any derivative instruments. At December 31, 2008, the Company held net current monetary assets in USD and in GBP equal to \$7,392 and \$1,331, (July 31, 2008 - \$2,399 USD and \$2,476 GBP).

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h) Sensitivity analysis

A summary of the Company's estimates of the impact of a 10% change in exchange rates on its revenues and net current monetary assets is presented below:

	Sensitivity analysis			
	As at December 31, 2008			
Effect of a +/- 10% change in the foreign currency exchange rate	USD	GBP	Brazilian Reais	Total
Revenue +/-	814	138	188	1,140
Net monetary assets +/-	739	133	21	893

The financial position of the Company may vary at the time that a change in exchange rates occurs, causing the impact of the Company's results to differ from those shown above.

Note 5 Capital management

The Company considers its share capital and contributed surplus as capital, the total book value of which totaled \$63,820 at December 31, 2008.

The Company manages its capital structure with the objective of providing sufficient resources to meet day-to-day operating requirements; to allow it to enhance existing product offerings as well as develop new ones, and to have the financial ability to expand the size of its operations by taking on new customers. In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the upfront cost of taking on new clients.

The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company manages its capital through the issuance of new share capital to the public.

The Company is not subject to any externally imposed capital requirements.

Note 6 Property and Equipment and Property Under Development

	31-Dec-08			31-Jul-08		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$1,769	\$1,240	\$529	\$1,751	\$1,104	\$647
Computer software	786	\$753	33	782	737	45
Furniture and fixtures	375	\$198	177	324	179	145
Leasehold improvements	897	\$83	814	864	43	821
Office and other equipment	224	\$153	71	208	142	66
	\$4,051	\$2,427	\$1,624	\$3,929	\$2,205	\$1,724

Note 7 Long-term Investments
Asset-Backed Commercial Paper

The Company owns third party Asset Backed Commercial Paper (ABCP) with a face value of \$6 million and an estimated fair value of \$3 million (July 31, 2008 - \$6 million and \$3.7 million).

In August 2007, the Company's ABCP became the subject of an ongoing restructuring to replace the ABCP with long-term asset backed securities ("New Notes").

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The restructuring (the Montreal Accord), received investor approval in April 2008, and Court approval in June 2008. However, the restructuring was the subject of numerous appeals to the Ontario Court of Appeal and the Supreme Court of Canada. In September 2008, the Supreme Court of Canada denied the last such appeal, thus clearing the way for implementation of the restructuring.

The restructuring was overseen by a group known as the Pan-Canadian Investor Committee and was completed subsequent to the period end date in late January 2009.

Since the restructuring process began, the Company has been valuing its ABCP using a methodology that estimates the characteristics of the New Notes using a variety of quantitative and qualitative market inputs to estimate the price a prospective investor would pay for those Notes using a discounted cash flow calculation.

Pursuant to the Montreal Accord, the Company will receive \$6 million (face value) of New Notes of various classes issued by a trust called Master Asset Vehicle II (MAV2). Four of the notes, classes A-1, A-2, B, and C will be supported by a pool of leveraged super senior credit default swaps and unlevered collateralized debt obligations plus traditional assets and cash. The leveraged assets supporting these notes have access to a credit facility that can be drawn upon in the event that a margin call is triggered and more collateral must be posted. Additionally, these particular assets are subject to an 18-month moratorium on margin calls, which will insulate them from current market volatility for that period. This moratorium will expire in mid-2010.

A fifth note, class 15, will track the performance and repayment of a particular leveraged super senior credit default swap that was not pooled with the others. This asset does not have access to a credit facility nor does it have the benefit of a moratorium on margin calls.

The class A-1 and A-2 notes (approximately 83% of the Company's New Notes) will pay a floating rate of interest and were assigned an investment grade credit rating of "A" by the DBRS in January, 2009. The class B and C notes (6% of the Company's total) were not rated by the DBRS, and are expected to accrue interest that will be paid only after the class A-1 and A-2 notes are fully repaid. The class 15 note (11% of the Company's total) will pay a floating rate of interest but was not rated. The effect of interest payments has been factored into the valuation of the A1 and A2 notes only.

The most significant variable in determining the value of the Company's ABCP is the yield that prospective investors in the ABCP (and the New Notes) would require. Accordingly, the Company conducted a sensitivity analysis of the potential yield requirements to arrive at an estimated fair value of its ABCP of between \$2.9 and \$3.1 million.

For the five-months ended December 31, 2008 the Company recorded a non-cash impairment charge of \$0.7 million (July 31, 2008 - \$2.3 million) as a reduction in fair value since the loss is considered to be other than temporary. As the fair value of the resulting securities is determined using a discounted cash flow approach, and is based on the Company's assessment of market conditions as at December 31, 2008, the fair values reported may change materially in subsequent periods.

During the period since the restructuring began there has been cash accumulating within the various entities affected by the restructuring. This cash, net of the restructuring costs, is payable to holders of the original ABCP, but was not estimable at December 31, 2008 and has therefore not been factored into the valuation of the ABCP as of December 31, 2008. Subsequent to year-end, the New Notes and the Company's portion of the accumulated cash were received (Note 15).

Note 8 Bank Indebtedness

As at December 31, 2008, the Company had a credit facility of up to \$5 million, subject to margin criteria, bearing interest at the lender's prime lending rate plus 1.75%. The credit facility is collateralized by a general charge on the assets of the Company. At December 31, 2008, the

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Company carried a \$1 million balance on this facility (July 31, 2008 – nil). Subsequent to December 31, 2008, the lender revised a covenant in its agreement with the Company to cure a covenant breach which had occurred in the period ended December 31, 2008.

Note 9 Share Capital

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

Issued	Number of Shares	Dollars (000's)
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 repurchased ¹	(820,116)	(846)
Less: Share issue costs		(2)
Balance July 31, 2008	57,875,118	\$ 59,620
Issued for cash:		
Stock Options	87,067	50
Transfer from contributed surplus on exercise of stock options	-	21
Less: Share issue costs		(2)
Balance December 31, 2008	57,962,185	\$ 59,689

- (1) During the period ended July 31, 2008, the Company repurchased and cancelled a total of 820,116 Common shares under a Normal Course Issuer Bid for 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

Stock Option Plan

The Company has two Stock Option Plans from which it made awards to employees, directors and consultants, the Old Plan and the New Plan.

Under the Old Plan, the Company was authorized to grant up to a total of 8,020,135 share purchase options, a figure which represented 13.8% of the Company's issued common shares.

Effective November 1, 2008 the majority of the options awarded under the Old Plan were cancelled under a voluntary surrender program offered by the Board of Directors for certain "out-of-the-money" options. The balance of the options awarded under the Plan will continue to be governed by the rules of the Old Plan until they expire, are exercised, are forfeited or are otherwise cancelled, after which the Old Plan will be retired.

Effective December 8, 2008, the Company implemented a new Stock Option Plan (New Plan) from which it makes awards to employees, directors and consultants. Under the New Plan, the Company is authorized to grant the lesser of 10% of the issued and outstanding common shares or 10 million share purchase options. Under the New Plan, at December 31, 2008 the Company had issued 213,000 share purchase options of the 5,796,218 it was authorized to grant, leaving 5,583,218 share purchase options available for issue.

Share purchase options awards are normally awarded at an exercise price equal to the market price of the Company's common shares on the effective date of the grant, normally the final trading day of the grant 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 Plans is presented below:

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

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Old Stock Option Plan	Number of Shares	Weighted Average Exercise Price
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
Granted	241,500	\$ 1.34
Expired or cancelled	(2,369,424)	\$ 3.30
Exercised	(87,067)	\$ 0.56
Options outstanding December 31, 2008	1,491,869	\$ 0.86

New Stock Option Plan	Number of Shares	Weighted Average Exercise Price
Options outstanding December 8, 2008	0	\$ -
Granted	213,000	\$ 1.06
Options outstanding December 31, 2008	213,000	\$ 1.06

The following weighted average assumptions were used in calculating the fair value of stock options granted during the period using the Black-Scholes model:

Old Plan	31-Dec-08	31-Jul-08
Risk free rate (range during the period)	2.57%	3.00%
Dividend yield	0%	0%
Expected volatility	80%	81%
Weighted average expected option life	3 years	3 years
Weighted average fair value of options granted	\$ 0.71	\$ 1.69

New Plan	31-Dec-08
Risk free rate (range during the period)	1.61%
Dividend yield	0%
Expected volatility	80%
Weighted average expected option life	3 years
Weighted average fair value of options granted	\$ 0.55

During the five-month period ended December 31, 2008, the Company recorded \$2,361 (July 31, 2008 - \$1,024) in stock based compensation expense of which \$2,020 (July 31, 2008 - \$nil) related to the cancellation of 2,301,014 options.

As at December 31, 2008, the Company had 1,704,869 share purchase options outstanding entitling the holders to purchase one common share for each option held as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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	742,834	0.47	\$0.58	742,834	0.47	\$0.58
\$0.76	\$1.10	482,033	2.74	\$0.95	335,198	2.18	\$0.93
\$1.11	\$1.19	120,000	5.00	\$1.15	3,000	5.00	\$1.15
\$1.20	\$1.50	360,002	3.98	\$1.35	111,167	2.74	\$1.33

Note 10 Contributed Surplus

Balance July 31, 2007	\$ 858
Stock options	1,024
Stock options exercised	(91)
Balance July 31, 2008	\$ 1,791
Stock Options Awarded	2,361
Stock options exercised	(21)
Balance December 31, 2008	\$ 4,131

Note 11 Segmented Information

The Company operates in a single business segment - telematics, and has sales in Canada, the United States, Europe, Mexico, the Middle East 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 December 31, 2008, 98% (July 31, 2008 – 98%) of the Company's property and equipment are located in Canada and 2% (July 31, 2008 – 2%) are located in Europe and the United States where they are held by the Company's wholly owned subsidiaries.

Revenue by geographic segment is as follows:

	For the five-month period ended December 31		For the twelve months ended July 31	
	2008		2008	
United States	\$	6,713	\$	7,049
Canada	\$	1,880		5,781
Europe	\$	1,382		3,995
Mexico, Brazil & Latin America	\$	923		2,448
Middle East & Asia	\$	503		1,537
	\$	11,401	\$	20,810

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Revenue by category is as follows:

	For the five-month period ended December 31	For the twelve months ended July 31
	2008	2008
Non-Recurring Hardware and Software Revenue	\$ 7,973	\$ 14,517
Recurring Service Revenue	3,428	6,293
	\$ 11,401	\$ 20,810

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 30.5% (July 31, 2008 – 32%) for the following reasons:

	Five-month period ended December 31, 2008	Twelve months ended July 31, 2008
Income tax at Statutory Rates	(1,705)	(2,497)
Non-deductible stock based compensation and other expenses	790	161
Change in valuation allowance	(1,816)	3,100
Reduction in future statutory tax rates	91	(657)
Tax Return Finalization Entries	2,645	
Foreign tax rate differential	(5)	(107)
	-	-

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.

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

	Five-month period ended December 31, 2008	Twelve months ended July 31, 2008
Non-capital losses carried forward	11,110	11,509
Share issuance costs	442	521
Scientific Research and experimental development	465	1,106
Investment tax credits	152	718
Capital Assets	(27)	6
Accrued Liability	208	179
Other	821	949
Less: Valuation allowance	(13,171)	(14,988)
	0	0

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The Company has recorded a full valuation allowance against its future income tax assets as management believes it is not more likely than not that future income tax assets will be realized within the carry-forward period.

Canadian investment tax credits of \$584 can be carried forward and applied against future income taxes payable, and will expire in 2026 and 2027.

Scientific research and experimental development expenditures of \$1,788 can be carried forward indefinitely and applied against future income.

Canadian non-capital loss carryovers of \$27,834 expiring in 2027, 2028 and 2029 can be carried forward and applied against future taxable income.

The Company also has UK operating loss carryovers of \$12,394 which can be carried forward indefinitely and applied against future UK taxable income.

Note 13 Commitments

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

2009	\$ 510
2010	515
2011	509
2012	522
2013 through 2017	1,864
Total	\$ 3,920

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 a Request for Re-examination filed by the Company. Lunar Eye has appealed the rejection 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 a number of lawsuits in Brazil against a former value-added reseller (VAR) in Brazil, Crown Telecom (Crown), 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 (\$60 million). The Company does not believe the judgment which was filed in a junior court, is valid, and as such, the Company is appealing the decision.

Note 15 Subsequent Event*Asset Backed Commercial Paper*

On January 23rd, 2009, the Company received its New Notes under the ABCP restructuring described in Note 7.

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Accounting for the exchange of the ABCP for New Notes will include settlement of the original notes and recognition of the New Notes, with any gain or loss on the settlement and valuation of the New Notes recorded in the income statement. The New Notes will be measured at fair value on initial recognition. The New Notes will be classified as held for trading under the Company's Financial Instruments policy which will require them to be fair valued at each period end with changes in fair value included in the income statement in the period in which they arise. Until an active market develops for the New Notes, the fair value will be determined using a discounted cash flow approach based on the maximum use of inputs observed from market conditions on subsequent reporting dates. The fair values may change materially in subsequent periods.

As part of the note exchange, the Company received a payment of \$207, being its share of the cash accumulated in the various restructured ABCP entities up until August 31, 2008. This amount will be included in the determination of the gain or loss from the note exchange in future periods.

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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 five months ended December 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 five months ended December 31, 2008 and the Company's Annual Information Form ("AIF") for the five month Transition Period ended December 31, 2008. Each of the foregoing is available at www.sedar.com.

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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 for these products. 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 rich 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, including "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.

CHANGE IN FISCAL YEAR END

On October 9, 2008 the Company announced that it had changed its financial year end from July 31 to December 31. This change aligns the Company's year-end with the seasonality of its business and will better align the Company's year-end with the majority of public companies in the Company's business sector, thereby allowing investors to better assess the Company's performance in relation to its peers. Accordingly, the financial year ended December 31, 2008 reflects the five month period from August 1, 2008 to December 31, 2008, herein referred to as the "Transition Period". Throughout this Management Discussion and Analysis, the results of the Transition Period have been compared to 5/12ths of the results of the Company's year ended July 31, 2008, herein referred to as the "Prorated 5 Month Period". Management believes these pro rata amounts provide the most meaningful basis for helping readers to compare the Company's results for the Transition Period to prior results. This pro rata comparative does not however, provide directly comparable numbers and, while derived from our audited financial statements for the year ended July 31, 2008, does not represent amounts reported by the Company in accordance with Generally Accepted Accounting Principles.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure control and procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008. Based on this evaluation, the CEO and CFO of the Company have concluded that the Company's disclosure controls and procedures in place as at December 31, 2008 are effective to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities

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legislation and that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow for timely decisions regarding required disclosure.

Internal control over financial reporting

The CEO and CFO of the Company have also evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as at December 31, 2008 based on a framework recommended by the CICA. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2008, the Company's internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There were no changes in the Company's internal control over financial reporting during the Transition Period ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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).

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 2008 reports by Frost & Sullivan, the North American commercial vehicle telematics market generated revenues of over \$1.48 billion in 2007. These market revenues are expected to grow to \$6.47 billion by 2013, driven by multi-modal communication network advancements, security and safety concerns, and reduced costs. 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

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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 2008 that the penetration rate for commercial vehicle fleet management in all of Europe would increase from 3.1% or 1.1 million units at the end of 2008, to 9.3% or 3.3 million units in 2013, representing a compound annual growth rate of 20.5%. Telematics Research Group estimated that worldwide sales of telematics-enabled vehicles will reach approximately 43% of all new automobiles sold in 2010.

During the Transition Period the Company commenced shipments under the Quadrant Enterprise license and hardware supply agreement signed in the prior fiscal year with the US division of FedEx Express a unit of Federal Express, shipping over 2,300 Locator units and associated accessories. In early January 2009, the Company announced a sales and distribution agreement with AT&T Wireless ("AT&T"), the largest wireless carrier in the US under which AT&T will be offering the WebTech solution as part of AT&T's suite of products.

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

- Continuing need to improve efficiencies and operational control;
- 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.

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

Economic

The global economic downturn, precipitated by the financial crisis which began in July 2007 and significantly deepened in September 2008, has resulted in reduced credit availability and higher borrowing costs to companies and increased currency and commodity price volatility as investors moved their assets to safer investments such as gold, US treasury bonds and the US dollar. Further weakening of the global economy has also contributed to weaker consumer demand, and continues to put significant pressure on companies' capital spending and growth plans. The current economic downturn is expected to extend through the end of 2009 and could have a negative impact on the Company's planned growth strategy.

In anticipation of slowing of growth, the Company undertook a staff reduction and expense review program in November 2008. As a result of this program, the Company reduced its workforce by approximately 15% and reviewed all discretionary spending programs, resulting in a further 10% reduction in planned expenditures. The Company believes that these proactive changes were prudent and necessary given the current business climate.

Currency

The Company has operations in five countries, has made sales in over 45 countries and operates in four currencies; the Canadian dollar ("CAD"), the US dollar ("USD"), British Pounds ("GBP") and the Brazilian Reals ("BBR\$") and the Company's reported revenue and net results are affected by fluctuations in the exchange rates of the CAD against the USD, the GBP, and the BBR\$.

In general, a strengthening of the USD against the CAD impacts the Company's reported revenues and accounts receivable positively. This positive effect is partially offset by a smaller unfavorable impact on expenses and accounts payable. The strengthening USD may also have a positive impact on gross margin if inventory purchased at a time when the USD is weaker is sold at a time when the resulting revenues are converted at a higher USD rate. The inverse is true when the USD weakens against the CAD. During the

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Transition Period ended December 31, 2008, there was a general strengthening of the USD against the CAD, providing an overall beneficial effect to the Company.

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.

The Company's exposure to movements in the BBR\$ are not material to its reported results. Uncertainty in global financial markets and the poor outlook for the global economy in 2009 continue to drive volatility in worldwide currencies. The USD has recently benefited from its perceived "safe haven" status and this combined with the weakening commodity prices has caused depreciation in the CAD, which is expected to depreciate further in the short term. The GBP is expected to remain weak against the USD as domestic demand in the UK economy is expected to decline sharply.

Credit availability and cost

Recent developments in global credit markets have significantly reduced the ability of companies to obtain debt financing or raise capital through public markets. Despite this, the Company has been able to maintain its working line of credit of \$5 million.

The Company has relied on growth in hardware sales and a growing customer base generating recurring revenue to fund operating activity and its credit facility to bridge the timing differences between cash outflows and inflows. The Company's reported assets have also grown in prior fiscal years primarily through raising capital on the financial markets, and while management believes the Company is sufficiently funded at this time, there is no guarantee that it will not need additional external funding in the future.

Customer Demand

While the telematics industry is expected to grow and the Company's sales for the Transition Period ended December 31, 2008 continued an upward trend, there is concern in the industry that decreasing investments by customers as a result of the global economic downturn will slow the adoption of new technology. An increasing number of companies may not have the financial or organizational resources necessary to successfully implement a fleet management solution. Projects may be delayed and customers will require shorter payback periods on their investments. Existing vehicle fleets may also be reduced, resulting in the retirement of their associated GPS locators and cancellation of location based services and telematics solutions. Offsetting these negative factors are the low-capital-cost, fast return-on-investment features of the Company's solution.

Counterparties

The Company has several key supplier and strategic partnership relationships which may be impacted by weakened demand arising from the weaker economy. These suppliers and partners may not have the financial or organizational resources to fulfill their obligations. Key suppliers may also increase their pricing. The Company has established partnerships with large, established organizations and does not expect this to be a significant risk.

RESULTS FROM OPERATIONS

The Company sold and shipped more than 15,500 locators in the Transition Period representing a record number of shipments for any five month period. Overall revenues grew by approximately 31% over the comparable Transition Period, driven by significant growth in the United States.

Revenue

The Company is reporting revenue of \$11,401 for the Transition Period ended December 31, 2008 representing an increase of 31% over the prorated 5 Month Period revenue of \$8,671. This increase occurred primarily due to shipments of more than 2,300 locators and associated accessories under the

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Quadrant Enterprise license and hardware supply agreement with the US courier company mentioned earlier and increased recurring service revenue subscriber base.

Segmented Information

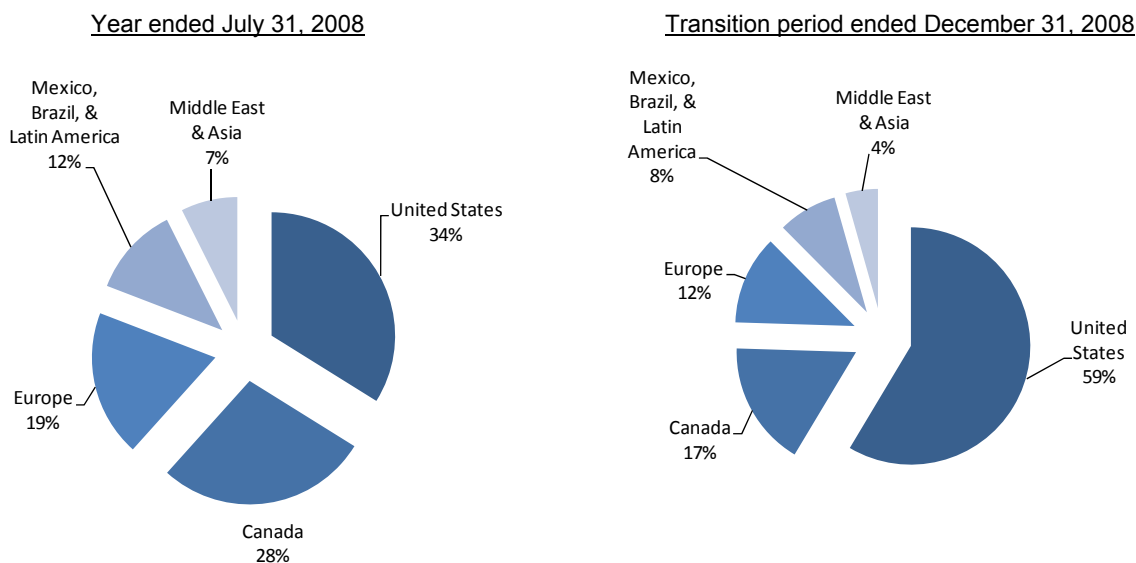
To date the Company has made sales in over 45 countries around the world, with the majority of these sales coming from North America and Europe. Revenue growth in the Transition Period ended December 31, 2008 was driven by shipments under the aforementioned agreement with the US courier company. Revenues declined in all other geographical segments due to an early closure of the Company's manufacturing facility in mid-December in anticipation of a move to a new facility.

Revenue by geography:

	Transition period ended December 31	Prorated five months ended July 31	Growth %	Twelve months ended July 31
United States	\$ 6,713	\$ 2,937	129%	\$ 7,049
Canada	1,880	2,409	-22%	5,781
Europe	1,382	1,665	-17%	3,995
Mexico, Brazil & Latin America	923	1,020	-10%	2,448
Middle East & Asia	503	640	-21%	1,537
	\$ 11,401	\$ 8,671	31%	\$ 20,810

Revenues from sales in the United States and Canada increased by a combined 61% over the Prorated 5 Month Period, driven by sales in the United States, while international sales declined by a combined 16%.

Revenue by geographic segment (% distribution)



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Revenue by category:

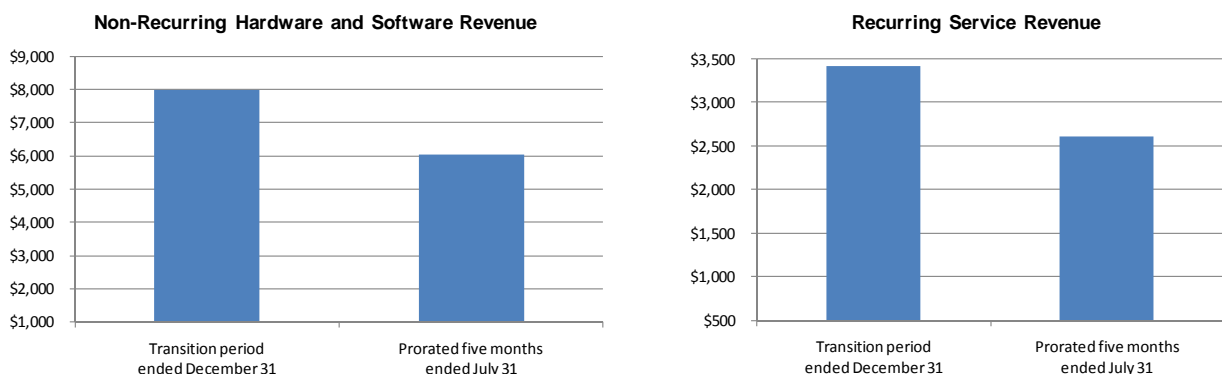
	Transition period ended December 31	Prorated five months ended July 31	Growth %	Twelve months ended July 31
Non-Recurring Hardware and Software Revenue	\$ 7,973	\$ 6,049	32%	\$ 14,517
Recurring Service Revenue	3,428	2,622	31%	6,293
	\$ 11,401	\$ 8,671	31%	\$ 20,810

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 were \$7,973 for the Transition Period representing growth of 32% over the Prorated 5 Month Period. Hardware and software revenues grew as a result of the record shipment of locators and associated accessories, driven primarily by shipments under the hardware supply agreement with the US courier company.

Recurring subscriber revenue earned from monitoring the locators which the Company sells, grew by 31% over the Prorated 5 Month Period, and comprised 30% (July 31, 2008 - 30%) of total revenue, as a result of a growing subscriber base over the past several quarters. Recurring revenue growth lags overall revenue growth as a result of increased "hardware only" sales as a percentage of total sales and due to time lags because hardware sales and installation preceding the activation of recurring services under significant contracts such as is occurring on the US courier account. This delay in growth of subscriber revenue is consistent with historical experience.

Revenues by category:

Periods ended December 31, 2008 and Prorated 5 Month period July 31, 2008



Gross Profit and Gross Profit Margins

Gross profit grew by 15% to \$4,905 for the Transition Period from \$4,250 in the Prorated 5 Month Period. Gross profit margin for the period was 43% compared with 49% for the Prorated 5 Month Period, a decrease of six percentage points caused by a one-time non-cash charge for inventory obsolescence and higher cost accessories required to fulfill specific orders.

Operating Expenses

The Company continues to expand its operations to meet increased demand for its products and to increase its ability to provide billable services to its clients. As a result, the Company experienced a 30% increase in operating expenses over the Prorated 5 Month Period.

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Marketing and Sales

Marketing and sales expenses increased by 31% over the comparable Prorated 5 Month Period. These increases were incurred to support the growing sales force, particularly in the United States and Brazil. Commissions were also higher as a result of a significant number of shipments under the agreement with Fedex.

Research and Development

Research and development costs for the period increased by 31% over the Prorated 5 Month Period, due to increased staffing and facility costs to support enhancement of the Company's product portfolio and service offerings.

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

- WebTech Personal Locator, the handheld GPS tracking application for complete mobile resource management which allows fleet managers to track individual operators, with Rogers mFleet. This also included self provisioning and activation facilities for consumers.
- Enterprise Quadrant 8.5, along with a set of tools to automate installation and streamline configuration in IT environments.
- Fleet management reports and tools in support of the "Telematics for the Planet" initiative such as idle monitoring reports and vehicle performance reports with CO2 emission data.
- Options for an accelerometer and internal antennae on the WT7000 product line to allow monitoring of harsh breaking, unsafe lane changing, aggressive acceleration and motion detection and tilt.
- A major Quadrant release containing new features including an installation test tool, driver web interface for hours of service, CO2 reporting, idling and trailer usage reports.
- Quadrant and Mobile application enhancements for the Hours of Service arena.

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

General and Administration

General and administration expenses have increased by 32% over the Prorated 5 Month Period primarily due to investment in the Company's employee base and operating infrastructure to meet increased demand for its products and develop new strategic channels. The Company also took a one-time charge related to the restructuring of its workforce.

Option cancellation program

During the Transition Period, the Company offered to holders of stock options with a strike price of \$2.55 or above, an opportunity to surrender those options for cancellation. Under this program 2,301,014 options were offered for surrender and were cancelled. This cancellation resulted in a one-time non-cash charge of \$2,020, which is included under "other items" on the Company's statement of operations, comprehensive loss and deficit.

Asset Backed Commercial Paper

The Company owns third party Asset Backed Commercial Paper ("ABCP") with a face value of \$6 million and an estimated fair value of \$3 million (July 31, 2008 - \$6 million and \$3.7 million).

In August 2007, the Company's ABCP became the subject of an ongoing restructuring to replace the ABCP with long term asset backed securities ("New Notes").

The restructuring (the "Montreal Accord"), received investor approval in April 2008, and Court approval in June 2008. However, the restructuring was the subject of numerous appeals to the Ontario Court of Appeal

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and the Supreme Court of Canada. In September 2008, the Supreme Court of Canada denied the last such appeal, thus clearing the way for implementation of the restructuring.

The restructuring was overseen by a group known as the Pan-Canadian Investor Committee and was completed in late January 2009.

Since the restructuring process began, the Company has been valuing its ABCP using a methodology that estimates the characteristics of the New Notes using a variety of quantitative and qualitative market inputs to estimate the price a prospective investor would pay for those notes using a discounted cash flow calculation.

Pursuant to the court sanctioned settlement, the Company will receive \$6 million (face value) of New Notes of various classes issued by a trust called Master Asset Vehicle II ("MAV2"). Four of the classes of notes, classes A-1, A-2, B, and C will be supported by a pool of leveraged super senior credit default swaps and unlevered collateralized debt obligations plus traditional assets and cash. The leveraged assets supporting these notes have access to a credit facility that can be drawn upon in the event that a margin call is triggered and more collateral must be posted. Additionally, these particular assets are subject to an 18 month moratorium on margin calls, which will insulate them from current market volatility for that period. This moratorium will expire in mid-2010.

A fifth class of note, class 15, will track the performance and repayment of a particular leveraged super senior credit default swap that was not pooled with the others. This asset does not have access to a credit facility nor does it have the benefit of a moratorium on margin calls.

The class A-1 and A-2 notes (approximately 83% of the Company's New Notes) will pay a floating rate of interest and were assigned an investment grade credit rating of "A" by DBRS in January, 2009. The class B and C notes (6% of Company's total) were not rated by DBRS, and are expected to accrue interest that will be paid only after the class A-1 and A-2 notes are fully repaid. The class 15 note (11% of the Company's total) will pay a floating rate of interest but are not rated. The effect of interest payments has been factored into the valuation of the A1 and A2 notes only.

The most significant variable in determining the value of the Company's ABCP is the yield that prospective investors in the ABCP (and the New Notes) would require. Accordingly, the Company conducted a sensitivity analysis of the potential yield requirements to arrive at an estimated fair value of its ABCP of between \$2.9 and \$3.1 million.

For the Transition Period the Company recorded a non-cash impairment charge of \$0.7 million (July 31, 2008 - \$2.3 million) as a reduction in fair value since the loss is considered to be other than temporary. As the fair value of the resulting securities is determined using a discounted cash flow approach, and is based on the Company's assessment of market conditions as at December 31, 2008, the fair values reported may change materially in subsequent periods.

During the period since the restructuring began there has been cash accumulating within the various entities affected by the restructuring. This cash, net of the restructuring costs is payable to holders of the original ABCP, but was not estimable at December 31, 2008 and has therefore not been factored into the valuation of the ABCP as at December 31, 2008. Subsequent to year end, the New Notes and the Company's portion of the accumulated cash were received.

Net Operating Loss and Net Loss

The Company is reporting an operating loss of \$5,589 for the Transition Period ended December 31, 2008 (Prorated 5 Month Period - \$3,247; Twelve months ended July 31, 2008 - \$7,793) as it continues to meet increased demands for its products and to develop new strategic channels. The Company also took a number of one-time charges relating to a restructuring of its workforce and recorded inventory and accounts receivable provisions, which management believes are necessary, given the economic downturn.

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The net loss realized by the Company was exacerbated by one-time non cash charges related to the aforementioned write-down of the Company's ABCP and an option cancellation program completed in November 2008. The loss was mitigated by a foreign exchange gain of \$875 arising from a weakening Canadian dollar throughout the period.

Loss per share increased to \$0.10 per share for the Transition Period ended December 31, 2008 from a loss per share of \$0.06 for the Prorated 5 Month Period.

Litigation

On May 11, 2008 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 a Request for Re-examination filed by the Company. Lunar Eye has appealed the rejection 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 a number of lawsuits in Brazil against a former value-added reseller ("VAR") in Brazil, Crown Telecom ("Crown"), 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 BBR\$106,000,000 (approximately CAD\$60 million). The Company does not believe the judgment, filed in a lower court, is valid, and as such, the Company is appealing the decision.

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Information (unaudited)

(in thousands except share amounts)	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Three months ended Oct 31 2008	Two months ended Dec 31 2008
Revenue	\$ 3,922	\$ 3,836	\$ 4,711	\$ 5,209	\$ 6,056	\$ 4,834	\$ 7,840	\$ 3,561
Gross Profit	\$ 2,514	\$ 2,645	\$ 2,198	\$ 2,795	\$ 3,115	\$ 2,092	\$ 3,833	\$ 1,072
Gross Margin %	64%	69%	47%	54%	51%	43%	49%	30%
Expenses	\$ 3,127	\$ 3,712	\$ 3,282	\$ 3,753	\$ 4,275	\$ 4,708	\$ 4,820	\$ 3,882
Net earnings (loss)	\$ (18,678)	\$ (7,121)	\$ (1,758)	\$ (1,675)	\$ (1,949)	\$ (2,410)	\$ (987)	\$ (4,602)
EPS (Basic)	\$ (0.35)	\$ (0.13)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ -	\$ (0.10)
EPS (Diluted)	\$ (0.35)	\$ (0.13)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ -	\$ (0.10)
Total Assets	\$ 42,218	\$ 36,716	\$ 35,406	\$ 33,229	\$ 29,023	\$ 28,185	\$ 29,803	\$ 25,363
Total Long Term Liabilities	Nil	Nil	\$ 90	\$ 114	\$ 661	\$ 627	\$ 651	\$ 916

The Company has continued to achieve growth organically 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 Roger's Communications a wireless carrier in Canada. to distribute its products through the carrier's network of distributors, and has also signed a network of distributors around the world 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.

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LIQUIDITY AND CAPITAL RESOURCES

Current assets

The Company's total current assets at December 31, 2008 totaled \$20,739 (July 31, 2008 - \$22,792).

Long-term investments

The Company's long-term investments at December 31, 2008 totaled \$3,000 (July 31, 2008 - \$3,669) and were entirely composed of an investment in ABCP as described above.

Working capital

At December 31, 2008, the Company had working capital of \$17,063, compared with \$19,185 at July 31, 2008. Working capital decreased primarily due to lower cash reserves, deliveries of goods to customers, and the write-down of obsolete inventory items. The Company also had available a credit facility of up to \$5,000, subject to margin criteria, of which \$1,000 was in use at December 31, 2008.

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 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 inventory on hand will be reduced 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 either through leveraging or selling the New Notes it expects to receive under the terms of the ABCP settlement process described above (See "Asset Backed Commercial Paper"). The Company also has large accounts receivable balances which will be converted to cash in the coming months, further strengthening the Company's liquidity position.

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 positive working capital position, the Company may require future financing in order to satisfy future growth activities.

Cash and cash equivalents

At December 31, 2008, the Company had cash and cash equivalents of \$3,889, compared with \$7,246, at July 31, 2008. During the Transition Period the Company used cash to fund operating activities which is net income adding back non-cash items, of \$2,314 (financial year ended July 31, 2008 - used \$3,964) and used cash of \$4,284 (financial year ended July 31, 2008- used cash \$5,779) to fund non-cash working capital items, mainly attributable to an increase in accounts receivable. The Company also used cash of \$112 for the purchase of new capital assets required for an expansion of its headquarters office space, funds which it expects to recover from its landlord under the terms of the Company's lease.

Accounts receivable

Accounts receivable of \$7,769 (July 31, 2008 - \$4,345) includes amounts due from five customers with large volume sales contracts, comprising 52% of total accounts receivable. As at December 31, 2008,

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\$5,019 of the Company's accounts receivable balance of \$7,769 was past due. Of these past due amounts \$2,850 or 57% has been collected as of March 4, 2009.

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

The Company's management has reviewed its accounts receivable balances as at December 31, 2008, and believes that an adequate provision has been made for doubtful accounts. Further analysis of the Company's accounts receivable is provided under the Other Disclosures section of this management discussion and analysis.

Inventory

Inventory has decreased from \$10,070 at July 31, 2008 to \$8,629 at December 31, 2008 as the Company delivered inventory previously in stock. The Company continues to purchase inventory to meet certain specific short term customer needs and expects its overall inventory levels to drop in the coming quarters. 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 \$1,131 at July 31, 2008 to \$452 at December 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	\$	510
2010		515
2011		509
2012		522
2013 through 2017		1,864
Total	\$	3,920

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

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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 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. When determining the appropriate allowance for doubtful accounts the Company considered not just past experience and customer history, but also the current disruption in global credit markets and how these market conditions might affect customers and collections.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options which requires the input of highly subjective assumptions. The fair value of employee share purchase option grants is calculated at the grant date and expensed over the vesting period of the grant with a corresponding increase to contributed surplus. The fair value of stock-based payments to non-employees is re-measured at each balance sheet date 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 equity instruments.

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.

NEW ACCOUNTING POLICIES

Capital Disclosures

Effective August 1, 2008, the Company adopted the recommendations included in the Canadian Institute of Chartered Accountants ("CICA") handbook, section 1535, Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. The additional disclosures, required as a result of the adoption of these standards, have been included in Note 6, "Capital management", to the consolidated financial statements.

Financial Instruments

On August 1, 2008, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures and section 3863, Financial Instruments - Presentation. Section 3862 requires disclosure about the significance of financial instruments for an entity's financial position, the nature and extent of risks

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arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. The additional disclosures, required as a result of the adoption of these standards, have been included in Note 4 “Financial Instruments”, to the consolidated financial statements.

Inventories

Effective August 1, 2008, the Company adopted CICA Handbook Section 3031, Inventories, which has replaced Section 3030 of the same title. This new Section aligns Canadian GAAP with International Financial Reporting Standards (“IFRS”) and establishes four basic principles: Inventory should be measured at the lower of cost and net realizable value; the cost of inventory includes costs directly attributable to its acquisition as well as an appropriate portion of fixed and variable production overheads; if the units in inventory are interchangeable, their cost should be determined using either a first-in first-out or weighted average cost formula; and write-downs of inventory to net realizable value should be reversed if the value subsequently recovers.

Inventory is comprised primarily of parts and finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the weighted average 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. The adoption of Handbook Section 3031 resulted in a change in determining the cost of inventory from the first-in first-out method to the weighted average cost formula, reducing the opening balance at August 1, 2008 by \$46.

NEW ACCOUNTING PRONOUNCEMENTS

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 on or after October 1, 2008. The Company will adopt the requirements commencing in the financial year ending December 31, 2009 and is considering the impact this will have on the Company's financial statements. These new standards are described below.

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 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. CICA 1000 is amended to clarify criteria for recognition of an asset. These sections are effective for interim and annual financial statements for years beginning on or after October 1, 2008. The Company does not expect these new standards to have a material effect on its financial statements.

Convergence with International Financial Reporting Standards

In January 2006, Canada's Accounting Standards Board (“AcSB”) ratified a strategic plan calling for the evolution and convergence of Canadian GAAP with IFRS, after a specified Transition Period, by publically accountable enterprises in Canada. The AcSB has more recently confirmed January 1, 2011 as the date IFRS will replace current Canadian GAAP standards and interpretations entities like the Company. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements beginning January 1, 2011. The transition date of January

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1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010.

The impact of the adoption of these standards is not known at this time.

OTHER DISCLOSURES

Financial Instruments and Other Instruments

The company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides descriptions and measurement of the significant risks as at December 31, 2008:

Credit risk exposure

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss being incurred by the Company. Recent events in global financial markets continue to impact the global economic environment. These events are not directly related to the Company or the industry in which it operates, however, there may be an impact on the Company over the course of time. It is possible that reduced economic activity may adversely affect the Company's operating results and financial condition through increased credit risk associated with the Company's financial instruments. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, restricted cash, long term investments, bank indebtedness and accounts receivable.

The Company limits its exposure to credit loss by maintaining its cash and cash equivalents with high credit quality financial institutions in Canada, the United States and the United Kingdom. The Company's cash equivalents consist of call deposit investments with two of these institutions. The Company's Canadian banks are members of the Canadian Deposit Insurance Corporation. The Canadian Deposit Insurance Corporation provides insurance coverage up to a maximum of \$100,000 on chequing and savings accounts with these banks. Of the amounts held with financial institutions on deposit \$135 is covered by the Canadian Deposit Insurance Corporation, meaning that in the event that the financial institutions with which the deposits are held cease trading, \$3,754 of the Company's cash and cash equivalents would be at risk. The Company considers the likelihood of such a loss to be remote.

As at December 31, 2008, the Company had long term investments valued at \$3,000 (Face value – \$6,000) comprised of ABCP (see "Asset Backed Commercial Paper").

The Company provides credit to its clients in the normal course of operations. The Company minimizes its credit risk associated with its accounts receivable by performing credit evaluations on customers, maintaining regular and ongoing contact with customers, routinely reviewing the status of individual accounts receivable balances and following up on overdue amounts. Concentration of credit risk with respect to accounts receivable, is considered to be limited as the Company deals with many hundreds of customers in multiple jurisdictions. From time to time, however, the Company does enter into agreements with very large customers that due to the size of the transaction will result in some concentration of credit risk. The Company estimates, on a continuing basis, the probable losses on its accounts and records a provision for losses based on the estimated realizable value of the accounts. At December 31, 2008 accounts receivable from five customers comprised an aggregate of 52% of total accounts receivable (July 31, 2008 – 31.4%), of which 27% of the total had been collected as of March 4, 2009. During the Transition Period ended December 31, 2008, due to a large volume sales contract, one individual customer comprised greater than 10% of sales. Management does not believe that there is significant credit risk arising from any of the Company's customers; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts.

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The following table provides information regarding the aging of financial assets that are past due but which are not impaired:

Financial assets					
As at December 31, 2008					
	Neither past due nor impaired	Past due 31 - 60 days	Past due 61 - 90 days	Past due 91 days +	Carrying Value on the balance sheet
Trade Accounts Receivable	2,172	1,081	2,149	1,789	7,191
Other Accounts Receivable	578				578
Total	2,750	1,081	2,149	1,789	7,769

As at December 31, 2008 \$5,019 of the Company's accounts receivable balance of \$7,769 was past due. The definition of items that are past due is determined by reference to terms agreed with individual customers. The Company has estimated probable losses on these accounts and recorded a provision for doubtful accounts of \$636. None of the remaining amounts outstanding have been challenged by customers and the Company continues to provide services and products to them. Of the overdue balances at December 31, 2008 \$2,850 or 57% of the amount overdue had been collected as of March 4, 2009. Consequently, management has no reason to believe that the remaining outstanding balance is not fully collectible in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Ongoing contact is made with customers and once items are identified as being past due, further contact is made with the respective debtor to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

Liquidity risk exposure

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; management of cash and cash equivalents, including allocation between cash-on-hand and call deposits; and use of a credit facility to bridge timing differences between cash outflows and cash inflows.

As at December 31, 2008, the Company had a credit facility of up to \$5 million, subject to margin criteria, bearing interest at the lender's prime lending rate plus 1.75%. The credit facility is collateralized by a general charge on the assets of the Company. At December 31, 2008, the Company carried a \$1 million balance on this facility (July 31, 2008 – nil).

At December 31, 2008, the Company's accounts payable and accrued liabilities were \$1,991, 75% of which become due for payment within the normal terms of trade, generally between 30 and 60 days.

Although the global economy and the Company's largest regional market, the United States, suffered a significant downturn in the Transition Period ended December 31, 2008, the Company has not, to date, experienced any decline in sales. Sales continued an upward trend as a result of large orders attributable to agreements with several new customers. Further weakening of global economic conditions could impact the

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achievement of management's plans as a result of customer vehicle fleet reduction, and project delays with larger customers.

Historically, the Company has relied on growth in hardware sales and a growing customer base generating recurring revenue to fund operating activity, its credit facility to bridge the timing differences between cash outflows and inflows and several rounds of financing through public equity markets to fund specific growth initiatives. Recent developments in global credit markets have significantly reduced the ability of companies to obtain debt financing or raise capital through public markets and while management does not plan on raising any additional funds through these channels, should circumstances change, the Company's ability to access such capital may be impaired.

Market risk exposure

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company generating revenues and incurring expenses in foreign currencies, holding cash and cash equivalents which earn interest and having operations based in the United Kingdom, the United States and Brazil in the form of its wholly owned subsidiaries.

Interest rate risk exposure

The Company is exposed to interest rate risk by virtue of holding cash and cash equivalents and bank indebtedness.

The Company's objective in managing its cash and cash equivalents is to ensure that sufficient funds are maintained on hand at all times to meet day to day requirements, drawing on the line of credit only at times when there are timing differences between cash outflows and cash inflows and placing excess cash in short term deposits. When placing cash and cash equivalents on short-term deposit, the Company deals only with high quality commercial banks and ensures that access to the funds can be obtained on short-notice.

Accrued interest payable on the credit facility at December 31, 2008 was nil (July 31, 2008 - nil). Total interest expense for the Transition Period was \$15 (July 31, 2008 - \$3).

Foreign currency risk exposure

The Company's financial results are reported in Canadian dollars. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the US dollar ("USD"), as a majority of the Company's revenues are earned in USD. During the Transition Period ended December 31, 2008, 71% of the Company's revenue was in USD and 12% was in British Pounds ("GBP") (July 31, 2008 - 53% and 19%). The Company periodically estimates its obligations payable in these foreign currencies and converts excess foreign funds into Canadian currency to mitigate the risks associated with changes in foreign currency rates. The Company does not currently have any derivative instruments. At December 31, 2008, the Company held net current monetary assets in USD, in GBP, and in BBR equal to \$7,392, \$1,331, and \$210 respectively (July 31, 2008 - \$2,399 USD, \$2,476 GBP and Nil BBR).

Sensitivity analysis

A summary of the Company's estimates of the impact of a 10% change in exchange rates on its revenues and net current monetary assets is presented below:

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	Sensitivity analysis			
	As at December 31, 2008			
Effect of a +/- 10% change in the foreign currency exchange rate	USD	GBP	Brazilian Reais	Total
Revenue +/-	814	138	188	1,140
Net monetary assets +/-	739	133	21	893

The financial position of the Company may vary at the time that a change in exchange rates occurs, causing the impact of the Company's results to differ from those shown above.

Capital management

The Company considers its share capital and contributed surplus as capital, the total book value of which totaled \$63,820 at December 31, 2008.

The Company manages its capital structure with the objective of providing sufficient resources to meet day to day operating requirements; to allow it to enhance existing product offerings as well as develop new ones, and to have the financial ability to expand the size of its operations by taking on new customers. In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the upfront cost of taking on new clients.

The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company manages its capital through the issuance of new share capital to the public.

The Company is not subject to any externally imposed capital requirements.

UPDATE ON PRIOR ANNOUNCEMENTS

On June 20, 2008, the Company announced the appointment of a new distributor in Brazil, SB Tec S.A., ("SB Tec") 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 was unable to fulfill all of its obligations under this initial order and as such the Company terminated its distribution agreement with SB Tec and recovered certain assets held by them as partial settlement of amounts owed.

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.

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- 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.
- 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

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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.

- 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.
- The Company holds \$6 million in investments in ABCP, which the Company has valued as a Long Term Investment with a market value of \$3 million as at December 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 March 9, 2009, the Company had 57,962,185 common shares outstanding. The Company has 1,704,869 share purchase options outstanding entitling the holders to purchase one common share for each option held at prices from \$0.47 to \$1.50 per share expiring on various dates up to December 31, 2013.

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