



CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended January 31, 2007 and 2006
(Amended and Restated February 29, 2008)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

WEBTECH WIRELESS INC.
CONSOLIDATED BALANCE SHEETS
(amounts in 000's)

	January 31, 2007 <i>(unaudited)</i> <i>Amended and Restated</i> <i>(Note 13)</i>	July 31, 2006 <i>(audited)</i>
ASSETS		
Current		
Cash & cash equivalents	\$ 34,511	\$ 10,640
Accounts receivable	5,198	7,015
Inventory	6,606	2,849
Inventory shipped (unrecognized revenue)	3,557	-
Prepaid expenses and deposits	5,046	800
	54,918	21,304
Capital Assets	1,015	738
Intangible assets, <i>Note 2 (b) & 3</i>	328	292
Loan Receivable, <i>Note 4</i>	5,262	-
	\$ 61,523	\$ 22,334
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,729	\$ 2,198
Deferred revenue	879	294
	3,608	2,492
SHAREHOLDERS' EQUITY		
Share capital, <i>Note 6</i>	59,590	21,105
Contributed surplus, <i>Note 7</i>	521	574
Deficit	(2,196)	(1,837)
	57,915	19,842
	\$ 61,523	\$ 22,334

APPROVED BY THE DIRECTORS:

"Anwar Sukkarie"

"Cameron Fraser"

The accompanying notes form an integral part of these Consolidated Financial Statements

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(amounts in 000's)

	<i>Three Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Three Months Ended 31-Jan-06 (unaudited)</i>	<i>Six Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Six Months Ended 31-Jan-06 (unaudited)</i>
Sales, <i>Note 10</i>	\$ 3,639	\$ 4,064	\$ 7,546	\$ 6,619
Cost of goods sold	<u>1,944</u>	<u>2,002</u>	<u>3,937</u>	<u>3,309</u>
Gross profit	<u>1,695</u>	<u>2,062</u>	<u>3,609</u>	<u>3,310</u>
Expenses				
Administration, <i>Note 9</i>	782	343	1,225	731
Amortization	89	64	165	117
Marketing and sales	1,175	598	2,011	1,245
Research and development, <i>Note 9</i>	<u>875</u>	<u>558</u>	<u>1,510</u>	<u>961</u>
	2,921	1,563	4,911	3,054
Income before other items	<u>(1,226)</u>	<u>499</u>	<u>(1,302)</u>	<u>256</u>
Other items				
Interest income (expenses)	87	2	175	4
Foreign exchange gain (loss), <i>Note 11</i>	<u>746</u>	<u>(167)</u>	<u>768</u>	<u>(257)</u>
Net income for the period	<u>\$ (393)</u>	<u>\$ 334</u>	<u>\$ (359)</u>	<u>\$ 3</u>
Basic and fully diluted earnings (loss) per share	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ -
Weighted average number of common shares outstanding	49,261,516	40,126,823	45,589,543	36,146,586
Fully diluted number of common shares outstanding	51,216,755	40,126,823	47,372,246	36,146,586

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENT OF DEFICIT
(amounts in 000's)

	<i>Three Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Three Months Ended 31-Jan-06 (unaudited)</i>	<i>Six Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Six Months Ended 31-Jan-06 (unaudited)</i>
Deficit, beginning of the period	\$ (1,803)	\$ (3,272)	\$ (1,837)	\$ (2,941)
Income for the period	(393)	334	(359)	3
Deficit, end of period	<u>\$ (2,196)</u>	<u>\$ (2,938)</u>	<u>\$ (2,196)</u>	<u>\$ (2,938)</u>

The accompanying notes form an integral part of these Consolidated Financial Statements

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

	<i>Three Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Three Months Ended 31-Jan-06 (unaudited)</i>	<i>Six Months Ended 31-Jan-07 (unaudited) Amended and Restated (Note 13)</i>	<i>Six Months Ended 31-Jan-06 (unaudited)</i>
Operating Activities				
Net income for the period	\$ (393)	\$ 334	\$ (359)	\$ 3
Add items not affecting cash:				
Stock based compensation, <i>Note 2(d)</i>	128	35	171	73
Amortization	89	64	165	117
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(176)	433	(23)	193
Changes in non-cash working capital items related to operations:				
Accounts receivable	(788)	(1,911)	(1,058)	(1,603)
Inventory	(1,847)	(32)	(3,757)	(428)
Prepaid expense and deposits	(3,528)	(140)	(4,246)	(322)
Inventory shipped (unrecognized revenue)	(3,557)	-	(3,557)	-
Accounts payable and accrued liabilities	764	432	531	691
Deferred Revenue	499	55	585	83
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(8,633)	(1,163)	(11,525)	(1,386)
Financing Activities				
Common shares issued, net of costs, <i>Note 6</i>	37,994	112	38,260	3,566
Loan receivable, <i>Note 4</i>	(2,387)	-	(2,387)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	35,607	112	35,873	3,566
Investing Activities				
Purchase of intangible assets, <i>Note 3</i>	(19)	(34)	(54)	(61)
Purchase of capital assets	(352)	(160)	(422)	(269)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(371)	(194)	(476)	(330)
Net increase (decrease) in cash during the period	26,603	(1,245)	23,872	1,851
Cash, beginning of period	7,908	4,168	10,639	1,072
Cash, end of period	<u>\$ 34,511</u>	<u>\$ 2,923</u>	<u>\$ 34,511</u>	<u>\$ 2,923</u>
Cash and cash equivalents consist of:				
Cash	\$ 31,511	\$ 423	\$ 31,511	\$ 423
Term deposits	3,000	2,500	3,000	2,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 34,511	\$ 2,923	\$ 34,511	\$ 2,923
Non-Cash Transactions				
Conversion of accounts receivable to loan receivable	\$ (2,875)	\$ -	\$ (2,875)	\$ -

The accompanying notes are an integral part of these Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

Note 1 Nature of Operations

WebTech Wireless Inc. (the "Company" or "WebTech") was incorporated under the laws of the Yukon Territory on May 12, 1999. The Company was continued from the Yukon Territory to Alberta on July 24, 2000. On August 1, 2006, the Company was continued to British Columbia.

WebTech is in the business of developing and selling location-based and telematics subscriber services and hardware. The Company's shares are listed for trading on the TSX Venture Exchange.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada for interim financial reporting and are stated in Canadian dollars. The interim consolidated financial statements have been prepared in a manner which is consistent with the accounting policies described in the Company's Annual Report for the Year Ended July 31, 2006 and should be read in conjunction therewith.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may differ, perhaps materially, from these estimates.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Principles of Consolidation

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

(b) Intangible Assets

The Company has adopted CICA Handbook Section 3062 Goodwill and Other Intangible Assets. Goodwill and other intangible assets with an indefinite life are tested for impairment annually or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. Intangible assets with a finite life are amortized on a straight line basis over their estimated useful life and are also tested for impairment annually.

(c) Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of common shares outstanding during the year. Diluted earnings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

(d) Stock-based Compensation

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

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

(e) Revenue Recognition and Warranty Provision

The Company derives non-recurring revenue from the sale of vehicle tracking hardware and software and recurring revenue from vehicle tracking services. Revenue from hardware sales is recognized when the hardware is shipped. Revenue from tracking services is recognized on a monthly basis as the services are provided.

A one-year warranty on hardware sales is provided by the Company. A warranty reserve equal to 1% of hardware sales is provided. To date the warranty reserve has been adequate to cover the costs associated with defective units. The Company periodically reviews the adequacy of warranty reserves.

Note 3 Asset Acquisition

Effective November 1, 2004, the Company entered into an agreement with Global Axxess Corporation Limited ("Axxess") under which it acquired all of the business of Globetrac Limited ("Globetrac"). The Company has assumed Globetrac's customers, resellers, suppliers and portals and all technical support and warranty issues. Consideration for the acquisition is the forgiveness of accounts receivable due from Globetrac, the assumption of certain accounts payable of Globetrac and a commission equal to 6% of gross sales for customers and resellers of Globetrac at the transaction date and for prospective customers and resellers, provided business with these customers or resellers commences within one year of the transaction date. Axxess shall be entitled to such commission over a period not to exceed 11 years from August 1, 2005. The commission is contingently payable based on future sales and cannot be reasonably determined at the acquisition date. The contingent consideration is recorded when the amounts can be determined and amortized on a straight line basis over its estimated useful life of 11 years. For the year ended July 31, 2005, total consideration of \$179, which included contingent consideration of \$123, was allocated \$11 to inventory, \$10 to prepaid expense and \$168 to customer lists, less \$10 of accounts payable assumed. For the six months ended January 31, 2007, additional contingent consideration of \$54 was allocated to customer lists. Globetrac is a former reseller of the Company's products and services in Europe.

	<u>January 31,</u> <u>2007</u>	<u>July 31,</u> <u>2006</u>
Cost	\$ 380	\$ 325
Accumulated Amortization	<u>(52)</u>	<u>(33)</u>
	<u>\$ 328</u>	<u>\$ 292</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

Note 4 Loan Receivable

On January 25, 2007, the Company entered into a loan agreement with its Value Added Reseller (“VAR”), in Brazil, Crown Telecom. This loan, with a principal amount of up to US\$12 million, bears interest at a rate of 12% per annum payable monthly, with blended payments on interest and principal in year two. The loan is secured by an agreement for pledge of the Borrower’s shares and a personal guarantee of the owner. The loan agreement is subject to the laws and jurisdiction of Brazil. Accounts receivable and accrued receivables includes loan interest of \$28, which is unpaid and in arrears at the date of this report.

Note 5 Credit Facility

On January 31, 2007 the Company had a credit facility of up to \$1 million CAD, subject to margin criteria, with a Canadian chartered bank. The Canadian dollar facility bears interest at Canadian prime lending rate plus 1%. The credit facility is secured by a general charge on the assets of the Company.

Note 6 Share Capital

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

Issued:	<u>Total number</u>	<u>Total Amount</u>
<u>Balance July 31, 2005</u>	<u>35,384,377</u>	<u>8,196</u>
Issued for cash:		
Stock Options	1,273,350	356
Warrants	4,617,166	3,439
Private placement ¹	6,896,552	10,000
Transfer from contributed surplus on exercise of stock options	-	30
Less: Share issue costs	-	(916)
<u>Balance July 31, 2006</u>	<u>48,171,445</u>	<u>\$ 21,105</u>
Issued for cash:		
Stock Options	1,255,745	545
Share purchase warrants	126,630	184
Common Shares ²	8,050,000	40,250
Transfer from contributed surplus on exercise of stock options		173
Transfer from contributed surplus on exercise of warrants		51
Less: Share issue costs		(2,718)
<u>Balance January 31, 2007</u>	<u>57,603,820</u>	<u>\$59,590</u>

1 On April 11, 2006, 6,896,552 special warrants were issued by private placement for gross proceeds of \$10,000. Issue costs related to the financing were \$782. Effective June 6, 2006 each special warrant was exercised at no additional cost into one common share of the Company.

2 On January 16, 2007, 8,050,000 common shares were issued at a price of \$5.00 per common share for gross proceeds of \$40,250. Issue costs related to the financing were \$2,716.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

Share Purchase Warrants

During the year ended July 31, 2006, 4,617,166 share purchase warrants were exercised at a weighted average price of \$0.74 per common share and the remaining 564,310 share purchase warrants, with a weighted average exercise price of \$0.71 per common share, were cancelled.

In connection with the April 11, 2006 private placement of special warrants, the underwriters were granted an aggregate of 206,896 special broker warrants, each of which was exercised for no additional consideration into one share purchase warrant on June 6, 2006. Each share purchase warrant entitles the holder thereof to acquire one common share of the Corporation at a price of \$1.45 until April 11, 2007. At January 31, 2007, 78,926 share purchase warrants were outstanding. (See Note 11, Subsequent Events)

Stock Option Plan

Under the Stock Option Plan, the Company is authorized to grant share purchase options of up to 20% of its issued common shares to its employees, directors and consultants. Share purchase options are granted at an exercise price equal to the market price of the Company's common shares on the date of the grant.

Materially all of the Company's share purchase options vest over three years. Approximately one third of the Company's options vest on each of the first, second and third anniversaries of the grant date.

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

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding July 31, 2005	4,363,307	\$0.43
Granted	527,400	\$1.01
Expired or cancelled	(82,700)	\$0.73
Exercised	<u>(1,273,350)</u>	\$0.28
Options outstanding July 31, 2006	<u>3,534,657</u>	\$0.56
Granted	931,300	\$1.29
Expired or cancelled	(57,334)	\$0.82
Exercised	<u>(1,255,745)</u>	\$0.39
Options outstanding January 31, 2007	<u>3,152,878</u>	\$0.69
Options exercisable January 31, 2007	<u>1,497,835</u>	\$0.50

At January 31, 2007, the Company had 3,152,878 share purchase options outstanding entitling the holders to purchase one common share for each option held as follows:

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January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Dates</u>
284,000	\$0.25	April 1, 2006 to Dec. 4, 2007
353,300	\$0.47	Jan. 5, 2008 to Oct. 3, 2008
94,500	\$0.53	Aug. 16, 2009 to Nov. 1, 2009
755,677	\$0.60	Oct. 31, 2007 to May 1, 2009
175,000	\$0.64	January 20, 2010
204,600	\$0.76	Apr. 14, 2010 to Aug. 10, 2010
126,667	\$0.78	September 15, 2010
66,834	\$1.20	December 29, 2010
46,000	\$1.50	Feb. 7, 2011 to Apr. 18, 2011
120,000	\$1.10	July 19, 2011
180,000	\$1.10	September 11, 2011
260,000	\$1.42	October 4, 2011
205,000	\$3.71	December 5, 2011
281,300	\$5.50	January 22, 2012

During the six months ended January 31, 2007 stock based compensation expensed was \$173 (January 31, 2006 - \$73).

The following assumptions were used for the Black-Scholes model:

	<u>January 31, 2007</u>	<u>July 31, 2006</u>
Risk free rate	3.0%	2.0%
Dividend yield	0%	0%
Expected volatility	63%	60%
Weighted average expected option life	3 years	3 years
Weighted average fair value of options granted	\$1.346	\$0.426
Total options outstanding	<u>3,152,878</u>	<u>3,534,657</u>

Note 7 Contributed Surplus

Balance July 31, 2005	\$ 365
Stock options	155
Stock options exercised	(30)
Share purchase warrants ¹	<u>84</u>
Balance July 31, 2006	\$ 574
Stock options	171
Stock options exercised	(173)
Share purchase warrants exercised	<u>(51)</u>
Balance January 31, 2007	<u>\$ 521</u>

¹The Corporation uses the Black Scholes valuation method to calculate the fair value of share purchase warrants at the date of issue. Share purchase warrants were granted in connection with the April 11, 2006 private placement of Special Warrants, Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 8 Commitments

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

2007	225
2008	235
2009	335
	<u>795</u>

The Company has entered into commitments with two suppliers totaling approximately \$4,805 to purchase inventory for delivery prior July, 2007.

Note 9 Related Party Transactions

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

	For the Three Months Ended January		For the Six Months Ended January	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Administration				
Consulting fees	\$ 149	\$ 35	\$ 204	\$ 145
Directors fees	14	18	27	21
Professional fees	-	5	-	10
Research and development	<u>107</u>	<u>128</u>	<u>137</u>	<u>166</u>
	<u>\$ 270</u>	<u>\$ 186</u>	<u>\$ 368</u>	<u>\$ 342</u>

At January 31, 2007, accounts payable and accrued liabilities included \$178 (July 31, 2006: \$330) due to directors and officers of the Company.

During the six months ended January 31, 2007, directors of the company exercised 300,000 (January 31, 2006: nil) incentive stock options at a weighted average price of \$0.29 (January 31, 2006: nil) per common share.

Note 10 Segmented Information

The Company has sales in Canada, the United States of America, Europe, South America and in other areas of the world. Revenues can be split into the two categories of recurring service revenues and non-recurring hardware and software sales. At January 31, 2007, 96.36% of the Company's assets are located in Canada and 3.64% are located in Europe, held by the Company's wholly owned subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

Sales by geographic segment are as follows:

	For the Three Months Ended January		For the Six Months Ended January	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Canada	\$ 1,011	\$ 512	\$ 1,571	\$ 857
United States of America	1,514	1,491	2,865	2,818
Europe	545	721	1,140	1,268
South America	439	1,284	1,519	1,490
Other	<u>130</u>	<u>56</u>	<u>451</u>	<u>186</u>
	<u>\$ 3,639</u>	<u>\$ 4,064</u>	<u>\$7,546</u>	<u>\$ 6,619</u>

Sales by category are as follows:

	For the Three Months Ended January		For the Six Months Ended January	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Recurring service revenue	\$ 1,433	\$ 1,036	\$ 2,577	\$ 1,800
Non-recurring hardware and software revenue	<u>2,206</u>	<u>3,028</u>	<u>4,969</u>	<u>4,819</u>
	<u>\$ 3,639</u>	<u>\$ 4,064</u>	<u>\$ 7,546</u>	<u>\$ 6,619</u>

Note 11 Financial Instruments**a) Foreign Currency Risk:**

During the six months ended January 31, 2007 the Company derived 64% of revenue in US dollars and 15% of revenue in UK Pounds Sterling. During the six months ended January 31, 2006 the Company derived 68% of revenue in US dollars and 19% of revenue in UK Pounds Sterling. The Company periodically estimates its obligations payable in these foreign currencies and converts foreign funds in excess of these obligations into Canadian currency. The Company does not use derivative instruments. At January 31, 2007 the Company held net current monetary assets of \$1,774 in UK Pounds Sterling and \$6,887 in US Dollars.

b) Credit Concentration and Risk:

The Company provides credit to its clients in the normal course of operations. The Company estimates, on a continuing basis, the probable losses, and records a provision for losses based on the estimated realizable value. At January 31, 2007, accounts receivable from three customers comprised an aggregate of 38.2% of total accounts receivable. No individual customer comprised greater than 10% of sales.

Note 12 Subsequent Events

Subsequent to January 31, 2007 the Company issued 154,000 common shares pursuant to the exercise of incentive stock options to employees of the company at a weighted average price of

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

\$0.25 per common share. Also, subsequent to January 31, 2007, 1,340 share purchase warrants were exercised at a price of \$1.45 per common share.

Note 13 Restatement of Interim Consolidated Financial Statements

During the course of the audit of the Company's financial results for the year ended July 31, 2007 the Company realized that the accounting for the Company's loan to Crown Telecom, the Company's VAR in Brazil, and the treatment of sales to the VAR for the quarter ended January 31, 2007 were incorrect. In addition the Company has noted that certain balance sheet amounts were misstated in its financial statements for the period ended January 31, 2007. The Company has corrected these errors and restated the unaudited consolidated financial statements for the three and six months ended January 31, 2007.

The net effect of the restatement on the unaudited consolidated balance sheet of the Company as at January 31, 2007 was caused by incorrectly recognizing the revenue from sales to Crown when Crown was dependent on the Company for trade financing and where there was not sufficient evidence of collectability of the amounts due from Crown.

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

Accounts Receivable has been adjusted for amounts originally booked as receivable from Crown which, as a result of the restatement, do not qualify as receivable due to the uncertainty of collection and the deferral of the related revenue.

Inventory Shipped (unrecognized revenue) is a new account created to recognize the cost of the inventory shipped to Crown where no revenue or deferred revenue was recorded upon shipment pending the resolution of uncertainties related to the transfer of risks and rewards of ownership of the related goods. Once the revenue or deferred revenue became recognizable these related costs would be recorded as Cost of Sales.

Prepays have been adjusted upwards to reflect the deferral of certain amounts owed.

Loan Receivable has been reduced, as the original loan to Crown of US\$12 million was incorrectly recognized as 100% advanced to Crown upon signing. The correct accounting for this loan is to recognize loan advances only as shipments of goods (resulting in unrecognized revenue) are made to Crown and the loan is thus drawn down by Crown. This account is therefore adjusted downwards to reflect actual cash advances made to Crown plus the net amount of sales made to Crown under the loan.

Accounts Payable are being reduced as certain amounts owing have been deferred.

Deferred Revenue has been reduced by \$5,171 reflecting the reversal of deposits paid by Crown by way of loan advances under the US\$12 million loan facility between the Company and Crown. As the loan, due to restatement is not considered advanced, the related deposits from Crown (and the associated deferred revenue) have been reversed.

Share Capital was previously misstated by a net amount of \$129 related to certain unbooked fees and a share issuance.

Contributed Surplus was previously misstated by the amount of \$65 relating to an unbooked share issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Deficit has been adjusted to reflect the net effect of the adjustments made to Statement of Operations as described later in this note.

Summary of Restatement - Balance Sheet			
	Originally Reported January 31, 2007	Restatement	Restated Amount January 31, 2007
Assets			
Accounts Receivable	6,479	(1,281)	5,198
Inventory Shipped	0	3,557	3,557
Prepays	4,846	200	5,046
Loan Receivable	14,150	(8,888)	5,262
Total Assets	<u>25,475</u>	<u>(6,412)</u>	<u>19,063</u>
Liabilities			
Accounts Payable	2,980	(251)	2,729
Deferred Revenue	5,675	(4,796)	879
Total Liabilities	<u>8,655</u>	<u>(5,047)</u>	<u>3,608</u>
Shareholders' Equity			
Share Capital	59,461	129	59,590
Contributed Surplus	586	(65)	521
Deficit	(767)	(1,429)	(2,196)
Total Shareholders' Equity	<u>59,280</u>	<u>(1,365)</u>	<u>57,915</u>

As the sales to Crown were incorrectly recognized as revenue in the period in which they occurred, and are now, as a result of this restatement, being deferred, the net effect of the restatement on the unaudited consolidated income statement of the Company for the three and six months ended January 31, 2007 was a decrease in revenue, cost of sales and gross profit and a resultant decrease in net income as follows:

Revenue is decreased by the full dollar amount of sales made to Crown in the period being restated.

Cost of Sales is decreased by the full dollar cost of the related restated revenue.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2007 and 2006 – Amended and Restated February 29, 2008

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

Summary of Restatement - Statement of Operations - 3 months ended January 31, 2007			
	Originally Reported Three months ended 31-Jan-07	Restatement	Restated Amount Three months ended 31-Jan-07
Revenue	8,556	(4,917)	3,639
Cost of Sales	5,432	3,488	1,944
Gross Profit	<u>3,124</u>	<u>(1,429)</u>	<u>1,695</u>

Summary of Restatement - Statement of Operations - 6 months ended January 31, 2007			
	Originally Reported Six months ended 31-Jan-07	Restatement	Restated Amount Six months ended 31-Jan-07
Revenue	12,463	(4,917)	7,546
Cost of Sales	7,425	3,488	3,937
Gross Profit	<u>5,038</u>	<u>(1,429)</u>	<u>3,609</u>