



# **CONSOLIDATED FINANCIAL STATEMENTS**

For the Three and Nine Months Ended April 30, 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 SHEET**  
(amounts in 000's)

	<u>April 30, 2007</u> <i>(unaudited)</i> <i>Amended and</i> <i>Restated</i> <i>(Note 14)</i>	<u>July 31, 2006</u> <i>(audited)</i>
<b>ASSETS</b>		
Current		
Cash & cash equivalents	\$ 28,863	\$ 10,640
Accounts receivable, net of allowance <i>(Note 3)</i>	4,183	7,015
Inventory, net of allowance <i>(Note 3)</i>	4,442	2,849
Prepaid expenses and deposits	3,318	800
	40,806	21,304
Capital Assets	1,070	738
Intangible assets <i>(Note 2 (b) &amp; 4)</i>	342	292
Loan Receivable <i>(Note 5)</i>	-	-
	\$ 42,218	\$ 22,334
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 2,151	\$ 2,198
Deferred revenue	423	294
	2,574	2,492
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>(Note 7)</i>	60,004	21,105
Contributed surplus <i>(Note 8)</i>	514	574
Deficit	(20,874)	(1,837)
	39,644	19,842
	\$ 42,218	\$ 22,334

Subsequent Events *(Note 13)*

APPROVED BY THE DIRECTORS:

"Anwar Sukkarie"

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"Cameron Fraser"

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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 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Nine Months Ended 30-Apr-06 (unaudited)</i>
Sales (Note 11)	\$ 3,922	\$ 4,734	\$ 11,468	\$ 11,353
Cost of goods sold	<u>1,408</u>	<u>2,361</u>	<u>5,345</u>	<u>5,670</u>
Gross profit	<u>2,514</u>	<u>2,373</u>	<u>6,123</u>	<u>5,683</u>
Expenses				
Administration (Note 10)	920	511	2,145	1,242
Amortization	106	92	271	209
Marketing and sales	1,101	746	3,112	1,991
Research and development (Note 10)	<u>1,000</u>	<u>543</u>	<u>2,510</u>	<u>1,504</u>
	3,127	1,892	8,038	4,946
Income (loss) before other items	<u>(613)</u>	<u>481</u>	<u>(1,915)</u>	<u>737</u>
Other items				
Interest income (expenses)	447	16	622	20
Foreign exchange gain (loss) (Note 12)	(1,384)	(5)	(616)	(262)
Inventory impairment (Note 3)	(4,063)	-	(4,063)	-
Loss from suspended operations	<u>(7,814)</u>	<u>-</u>	<u>(7,814)</u>	<u>-</u>
Income (loss) before impairment of loan receivable	(13,427)	492	(13,786)	495
Impairment of loan receivable (Note 3 & 5)	<u>(5,251)</u>	<u>-</u>	<u>(5,251)</u>	<u>-</u>
Net income (loss) for the period	<u>\$ (18,678)</u>	<u>\$ 492</u>	<u>\$ (19,037)</u>	<u>\$ 495</u>
Basic and fully diluted earnings per share (Note 2(c))	\$ (0.35)	\$ 0.01	\$ (0.36)	\$ 0.01

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

	<i>Three Months Ended 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Nine Months Ended 30-Apr-06 (unaudited)</i>
Deficit, beginning of the period	\$ (2,196)	\$ (2,937)	\$ (1,837)	\$ (2,941)
Income for the period	(18,678)	492	(19,037)	495
Deficit, end of period	<u>\$ (20,874)</u>	<u>\$ (2,445)</u>	<u>\$ (20,874)</u>	<u>\$ (2,445)</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 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited) Amended and Restated (Note 14)</i>	<i>Nine Months Ended 30-Apr-06 (unaudited)</i>
<b>Operating Activities</b>				
Net income for the period	\$ (18,678)	\$ 492	\$ (19,037)	\$ 495
Add items not affecting cash:				
Stock based compensation (Note 2(d))	98	43	271	116
Amortization	106	-	271	-
Inventory impairment (Note 3)	4,063	-	4,063	-
Inventory shipped under deferred revenue	7,814	-	7,825	-
Impairment of loan receivable (Note 3 & 5)	5,262	92	5,251	209
	<u>(1,335)</u>	<u>627</u>	<u>(1,356)</u>	<u>820</u>
Changes in non-cash working capital items related to operations:				
Accounts receivable (Note 3)	1,015	(1,106)	(43)	(2,709)
Inventory (Note 3)	(1,899)	155	(5,656)	(273)
Inventory shipped under deferred revenue	(4,257)	-	(7,814)	-
Prepaid expense and deposits	1,728	(99)	(2,518)	(421)
Accounts payable and accrued liabilities	(579)	(222)	(48)	469
Deferred Revenue	(456)	61	129	143
	<u>(5,783)</u>	<u>(584)</u>	<u>(17,306)</u>	<u>(1,971)</u>
<b>Financing Activities</b>				
Common shares issued, net of costs, Note 6	310	9,256	38,570	12,822
Loan receivable, Note 4	-	-	(2,387)	-
	<u>310</u>	<u>9,256</u>	<u>36,183</u>	<u>12,822</u>
<b>Investing Activities</b>				
Purchase of intangible assets, Note 3	(24)	(28)	(81)	(89)
Purchase of capital assets	(151)	(161)	(572)	(430)
	<u>(175)</u>	<u>(189)</u>	<u>(653)</u>	<u>(519)</u>
Net increase (decrease) in cash during the period	(5,648)	8,483	18,224	10,333
Cash, beginning of period	<u>34,511</u>	<u>2,923</u>	<u>10,639</u>	<u>1,072</u>
Cash, end of period	<u>\$ 28,863</u>	<u>\$ 11,405</u>	<u>\$ 28,863</u>	<u>\$ 11,405</u>
<b>Cash and cash equivalents consist of:</b>				
Cash	\$ 28,863	\$ 655	\$ 28,863	\$ 655
Term deposits	-	10,750	-	10,750
	<u>\$ 28,863</u>	<u>\$ 11,405</u>	<u>\$ 28,863</u>	<u>\$ 11,405</u>
<b>Non-Cash Transactions</b>				
Conversion of accounts receivable to loan receivable	\$ -	\$ -	\$ (2,875)	\$ -

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 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") is a British Columbia corporation having been continued from Alberta on August 1, 2006 to where the Company had been continued on July 24, 2000 after being incorporated under the laws of the Yukon Territory on May 12, 1999.

WebTech develops, sells and provides subscriber services for location-based and telematics hardware and software.

The Company's shares are listed for trading on the TSX under the symbol WEW. Prior to April 26, 2007, the Company's shares traded on the TSX Venture Exchange under the symbol WEW.V.

**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. These 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 (Loss) Per Share**

Basic earnings (loss) per share are calculated by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflect the dilution that would occur if potentially dilutive securities were exercised or converted into common shares at the beginning of the period. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. For the nine month period ended April 30, 2007, the weighted average number of common shares outstanding was 52,171,488.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**(d) Stock-based Compensation**

The economic value of share purchase options granted is calculated at the grant date and 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 in share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. 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 and software sales is recognized when the hardware and software 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 Provisions for loan receivable, accounts receivable and impaired inventory**

The Company has determined that Crown Telecom ("Crown"), its Value Added Reseller ("VAR") in Brazil is unlikely to meet its financial obligations to the Company and has thus made a full provision for amounts owing from Crown and has adjusted the carrying value of certain inventory manufactured for sale to Crown.

The total amount of the provision related to Crown is \$17,128 composed of a loan loss of \$5,251, a loss on suspended operations of \$7,814 and an inventory impairment charge of \$4,063.

The amounts owed by Crown and written off by the Company are net of \$1,704 in negotiated sales returns made by Crown subsequent to the date of these statements.

The Company intends to pursue Crown and to fully exercise its security and other rights under its loan and distributor agreements with Crown. These agreements however are governed by the laws of Brazil and these laws may not be adequate to ensure remedy for the Company. In addition the Company is aware that Crown has significant other liabilities owing. As such the Company is unable at this time to estimate the amounts it will recover from Crown if any.

**Note 4 Asset Acquisition**

The Company entered into an agreement effective November 1, 2004 with Global Axxess Corporation Limited ("Axxess") under which it acquired all of the business of Globetrac Limited ("Globetrac"), a former reseller of the Company's products and services in Europe. Under the terms of the agreement the Company assumed all of Globetrac's customers, resellers, suppliers, portals and all related technical support and warranty issues. Consideration for the acquisition consisted of: the forgiveness of accounts receivable due from Globetrac; the assumption of certain accounts payable of Globetrac; a commission equal to 6% of gross sales generated from customers and resellers of Globetrac at the transaction date; and 6% of gross sales generated from certain prospective customers and resellers of Globetrac at the transaction date, provided that

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

sales to these customers or resellers commenced within one year of the transaction date. Axxess shall be entitled to the commission for a period not to exceed 11 years from August 1, 2005. As the commission is payable on a contingent basis and calculated on future sales, it could not be reasonably determined at the acquisition date. The contingent consideration is therefore recorded when the amounts can be determined and is amortized on a straight line basis over the remainder of the estimated useful life (originally 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 nine months ended April 30, 2007, additional contingent consideration of \$80 was allocated 100% to customer lists.

	<u>April 30,</u> <u>2007</u>	<u>July 31,</u> <u>2006</u>
Cost	\$ 406	\$ 325
Accumulated Amortization	<u>(64)</u>	<u>(33)</u>
	<u>\$ 342</u>	<u>\$ 292</u>

**Note 5 Loan Receivable and Loan Provision**

On January 25, 2007, the Company entered into a loan agreement with its distributor, Crown Telecom of Brazil. The 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 a pledge of the Borrower's shares and a personal guarantee of the owner of Crown. The loan agreement is subject to the laws and jurisdiction of Brazil. As of the date of these statements, the borrower is in default of the loan and the Company has stopped accruing interest income from the loan. The Company has made a full provision for this loan loss and is taking active steps to secure its interests under the loan.

**Note 6 Credit Facility**

On April 30, 2007 the Company had a credit facility of up to \$1 million CAD, subject to margin criteria, with a Canadian chartered bank. This facility bears interest at the banks Canadian prime lending rate plus 1%. The credit facility is secured by a general charge on the assets of the Company.

**Note 7 Share Capital**

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

<b>Issued:</b>	<u>Total</u> <u>number</u>	<u>Dollar</u> <u>Amount (000s)</u>
Balance July 31, 2005	35,384,377	\$ 8,196
Issued for cash:		
Stock Options	1,273,350	356
Warrants <sup>1</sup>	4,617,166	3,439
Private placement <sup>2</sup>	6,896,552	10,000
Transfer from contributed surplus on exercise of stock options	-	30
Less: Share issue costs	-	(916)
Balance July 31, 2006	<u>48,171,445</u>	<u>\$ 21,105</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Issued for cash:		
Stock Options	1,655,293	745
Share purchase warrants <sup>3</sup>	206,896	300
Common Shares <sup>4</sup>	8,050,000	40,250
Transfer from contributed surplus on exercise of stock options		245
Transfer from contributed surplus on exercise of warrants		84
Less: Share issue costs		(2,724)
<b>Balance April 30, 2007</b>	<b>58,083,634</b>	<b>\$60,005</b>

- 1 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.
- 2 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.
- 3 In connection with the April 11, 2006 private placement, the underwriters were granted 206,896 special broker warrants each of which was exercised for no additional consideration into one share purchase warrant on June 6, 2006 exercisable at \$1.45 per common share. As at April 30, 2007, share purchase warrants had been exercised.
- 4 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.

**Stock Option Plan**

The Company has a Stock Option Plan from which it makes incentive awards to employees, directors and consultants. Under the current Stock Option Plan, the Company is authorized to grant up to a total of 8,020,135 share purchase options a figure which is equal to 20% of the Company's issued common shares on the date that the Plan was set. Share purchase options awarded under the Plan are granted at an exercise price equal to the market price of the Company's common shares on the date of the grant, normally the final trading day of any given month.

The Company's standard vesting schedule calls for vesting over three years with one third of the options vesting on each of the first, second and third anniversaries of the grant date.

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

	<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
<b>Options outstanding July 31, 2006</b>	<b><u>3,534,657</u></b>	\$0.56
Granted	1,027,300	\$2.80
Expired or cancelled	(91,718)	\$1.32
Exercised	<u>(1,655,293)</u>	\$0.45
<b>Options outstanding April 30, 2007</b>	<b><u>2,814,946</u></b>	\$1.72
<b>Options exercisable April 30, 2007</b>	<b><u>1,176,100</u></b>	\$0.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2007 and 2006 – Amended and Restated February 29, 2008

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

As at April 30, 2007, the Company had 2,814,946 share purchase options outstanding entitling the holders to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Dates</u>
130,000	\$0.25	April 1, 2006 to Dec. 4, 2007
338,300	\$0.47	Jan. 5, 2008 to Oct. 3, 2008
89,500	\$0.53	Aug. 16, 2009 to Nov. 1, 2009
632,344	\$0.60	Oct. 31, 2007 to May 1, 2009
115,000	\$0.64	January 20, 2010
181,500	\$0.76	Apr. 14, 2010 to Aug. 10, 2010
116,667	\$0.78	September 15, 2010
46,834	\$1.20	December 29, 2010
40,001	\$1.50	Feb. 7, 2011 to Apr. 18, 2011
120,000	\$1.10	July 19, 2011
170,000	\$1.10	September 11, 2011
260,000	\$1.42	October 4, 2011
205,000	\$3.71	December 5, 2011
273,800	\$5.50	January 22, 2012
56,900	\$6.48	February 28, 2012
21,600	\$6.98	April 13, 2012
17,500	\$6.69	April 30, 2012

During the three and nine months ended April 30, 2007 stock based compensation expense was \$99 (April 30, 2006 - \$43) and \$271 respectively (April 30, 2006 - \$154).

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

	<u>April 30, 2007</u>	<u>July 31, 2006</u>
Risk free rate	3.0%	2.0%
Dividend yield	0%	0%
Expected volatility	61%	60%
Weighted average expected option life	3 years	3 years
Weighted average fair value of options granted	\$1.488	\$0.426
Total options outstanding	<u>2,814,946</u>	<u>3,534,657</u>

**Note 8 Contributed Surplus**

Balance July 31, 2005	\$	365
Stock options		155
Stock options exercised		(30)
Share purchase warrants <sup>1</sup>		<u>84</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2007 and 2006 – Amended and Restated February 29, 2008

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

Balance July 31, 2006	\$ 574
Stock options	269
Stock options exercised	(245)
Share purchase warrants exercised	<u>(84)</u>
Balance April 30, 2007	<u>\$ 514</u>

1 Share purchase warrants were granted in connection with the April 11, 2006 private placement of Special Warrants, Note 7.

**Note 9 Commitments**

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

2007	\$ 64
2008	386
2009	<u>618</u>
	<u>\$ 1,068</u>

The Company has entered into commitments to purchase inventory from suppliers with a total estimated value of \$8,327.

**Note 10 Related Party Transactions**

The Company was charged the following amounts by directors and officers who are related by virtue of their ownership positions in the Company or by companies with directors in common.

	For the Three Months Ended April 30		For the Nine Months Ended April 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Administration				
Consulting fees	\$ 44	\$ 100	\$ 248	\$ 245
Directors fees	9	5	36	26
Professional fees	-	-	-	10
Research and development	<u>18</u>	<u>71</u>	<u>155</u>	<u>237</u>
	<u>\$ 71</u>	<u>\$ 176</u>	<u>\$ 439</u>	<u>\$ 518</u>

At April 30, 2007, accounts payable and accrued liabilities included \$233 (July 31, 2006: \$330) due to directors and officers of the Company.

During the nine months ended April 30, 2007, directors of the company exercised 460,000 (April 30, 2006: nil) incentive stock options at a weighted average price of \$0.32 (April 30, 2006: nil) per common share.

**Note 11 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 two categories: non-recurring hardware and

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

software sales and recurring service revenues. As at April 30, 2007, 95% of the Company's assets are located in Canada and 5% are located in Europe, held by the Company's wholly owned subsidiary.

*Sales by geographic segment are as follows:*

	For the Three Months Ended April		For the Nine Months Ended April	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Canada	\$ 951	\$ 439	\$ 2,521	\$ 1,296
United States of America	1,773	1,738	4,638	4,556
Europe	774	1,220	1,914	2,488
South America	230	74	1,749	1,563
Other	<u>195</u>	<u>1,263</u>	<u>646</u>	<u>1,450</u>
	<u>\$ 3,923</u>	<u>\$ 4,734</u>	<u>\$11,468</u>	<u>\$ 11,353</u>

*Sales by category are as follows:*

	For the Three Months Ended April		For the Nine Months Ended April	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Recurring service revenue	\$ 1,456	\$ 974	\$ 4,032	\$ 2,774
Non-recurring hardware and software revenue	<u>2,467</u>	<u>3,760</u>	<u>7,436</u>	<u>8,579</u>
	<u>\$ 3,923</u>	<u>\$ 4,734</u>	<u>\$ 11,468</u>	<u>\$ 11,353</u>

**Note 12 Financial Instruments**
**a) Foreign Currency Risk:**

During the nine months ended April 30, 2007, the Company derived 61% of revenue in US dollars and 17% of revenue in UK pounds. During the nine months ended April 30, 2006 the Company derived 67% of revenue in US dollars and 18% of revenue in UK pounds. 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 currently use derivative instruments. At April 30, 2007, the Company held net current monetary assets of \$4,545 in US dollars and \$1,489 in UK pounds.

**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 April 30, 2007, accounts receivable from three customers comprised an aggregate of 29.9% of total accounts receivable.

During the nine months ended April 30, 2007 no individual customer comprised greater than 10% of sales.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**Note 13 Subsequent Events**

Subsequent to April 30, 2007, the Company issued 31,667 common shares pursuant to the exercise of incentive stock options to employees of the company at a weighted average price of \$0.85 per common share.

**Note 14 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 April 30, 2007 were incorrect. The Company has corrected these errors and restated the unaudited consolidated financial statements for the three and nine months ended April 30, 2007.

There were no balance sheet effects as a result of this restatement as the revenue and accounts question had previously been written off by the Company in its original statements for the period. The net effect of the restatement on the unaudited consolidated income statement of the Company for the three and nine months ended April 30, 2007 on the accounts involved is found in the table below and can be explained as follows

Revenue is decreased by the full dollar amount of sales made to Crown in the period being restated. These revenues were deferred in the previous quarter to a balance sheet account, "Inventory shipped" before being written off in the current quarter.

Cost of Sales is decreased by the dollar cost of the related sales to Crown which were previously recorded and are now being deferred.

Gross Profit is decreased by the net of the two figures above.

Administration Expense is being reduced to reflect the dollar value of a recovered bad debt which had previously been reported as a reduction in bad debt. As the bad debt line has been eliminated, this recovery is more properly recorded as a reduction of Administration expense.

Bad Debt is reduced from the amount previously reported as the amounts owing from Crown are now written off as "Loss from suspended operations".

Foreign exchange (loss) is reduced as the Company's foreign exchange exposure was reduced by restating the amount of the loan provided to Crown as part of the restatement.

Loss from suspended operations has been created to reflect the a restated write off of all amounts due from Crown – prior to the restatement these amounts had been recorded as loan and accounts receivable and had originally been written off as a bad debt and a loss on loan receivable. As the underlying sales which created these assets are not recognizable, the amounts due from Crown are not available to be written off as loans and accounts receivable; instead they are written off as loss from suspended operations.

Impairment of loan receivable is reduced by the amount of revenues which had previously been booked as sales to Crown, the receivables for which had been recognized as loan advances.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2007 and 2006 – Amended and Restated February 29, 2008

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

<b>Summary of Restatement - Statement of Operations - 3 months ended April 30, 2007</b>			
	<b>Originally Reported Three months ended 30-Apr-07</b>	<b>Restatement</b>	<b>Restated Amount Three months ended 30-Apr-07</b>
Revenue	9,583	(5,661)	3,922
Cost of Sales	5,734	4,326	1,408
<b>Gross Profit</b>	<u>3,849</u>	<u>(1,335)</u>	<u>2,514</u>
Bad Debt	1,633	(1,633)	0
Administration	1,285	(365)	920
Foreign Exchange gain (loss)	1,935	(551)	1,384
Loss from suspended operations	0	7,814	7,814
Impairment of loan receivable	13,280	(8,029)	5,251
Total restated expenses		<u>2,764</u>	
<b>Net Income effect for the three months ended April 30, 2007</b>		<u>1,429</u>	

<b>Summary of Restatement - Statement of Operations - 9 months ended April 30, 2007</b>			
	<b>Originally Reported Nine months ended 30-Apr-07</b>	<b>Restatement</b>	<b>Restated Amount Nine months ended 30-Apr-07</b>
Revenue	22,046	(10,578)	11,468
Cost of Sales	13,159	7,814	5,345
<b>Gross Profit</b>	<u>8,887</u>	<u>(2,764)</u>	<u>6,123</u>
Bad Debt	1,633	(1,633)	0
Administration	2,510	(365)	2,145
Foreign Exchange gain (loss)	1,167	(551)	616
Loss from suspended operations	0	7,814	7,814
Impairment of loan receivable	13,280	(8,029)	5,251
Total restated expenses		<u>2,764</u>	
<b>Net Income effect for the nine months ended April 30, 2007</b>		<u>0</u>	