



# **CONSOLIDATED FINANCIAL STATEMENTS**

For the Three and Nine Months Ended April 30, 2007 and 2006  
(Restated October 26, 2007)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

## MANAGEMENT'S DISCUSSION & ANALYSIS

Quarter Ended April 30, 2007

This document is dated June 6, 2007 restated October 26, 2007.

(Dollars expressed in 000's)

### GENERAL

*Certain statements in this document, including statements which may contain words such as "could", "expect", "believe", "will", and similar expressions and statements related to matters that are not historical facts, are forward-looking statements. These forward-looking statements relate to, among other things, financial results, product plans, timing, content and pricing of products, market and industry expectations, and general economic, business and political conditions. All forward-looking statements in this document are based on management's beliefs, intentions and expectations with respect to future events. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out below under the heading Risk and Uncertainties, which may cause the actual results, performances, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.*

*In light of the many risks and uncertainties that may cause future results to differ materially from those expected the Company cannot give assurance that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance. The Company assumes no obligation to update its forward-looking statements to reflect subsequent information or events.*

*The financial data contained in this report and in the Consolidated Financial Statements of the Company for the three and nine months ended April 30, 2007 have been prepared in accordance with Canadian Generally Accepted Accounting Principles in Canada and are stated in Canadian Dollars.*

*This interim report has been prepared in accordance with requirements for interim Management Discussion and Analysis. Certain information that has not substantially changed from information disclosed in the annual Management Discussion and Analysis has not been duplicated in this report. The following discussion and analysis should be read in conjunction with (i) the consolidated financial statements of the Company for the three and nine months ended April 30, 2007, (ii) management discussion and analysis for the year ended July 31, 2006 dated October 15, 2006, (iii) the consolidated financial statements of the Company for the year ended July 31, 2006, and (iv) the 2006 the Annual Information Form of the Company dated December 27, 2006. The foregoing is available at [www.sedar.com](http://www.sedar.com).*

*Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the quarter ended April 30, 2007 in accordance with Canadian Generally Accepted Accounting Principles for interim financial reporting. Other than the creation and implementation of a Whistleblower Policy in the quarter there has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.*

*The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at April 30, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these disclosure controls and procedures were effective.*

## OVERVIEW

### ***Brazil Operations***

The Company has been working for several years with Crown Telecom (“Crown”), its Value Added Reseller (“VAR”) in Brazil, to build a business based on the VAR selling telematics monitoring services to purchasers of new automobiles in Brazil. Under the agreement with Crown, WebTech sold locators to Crown, which were factory installed by an automobile manufacturer in new automobiles produced at its factory in Brazil. Crown had the opportunity to sell anti-theft and other telematics monitoring services to the end purchaser of the automobile with the opportunity for that purchaser to achieve significant savings on auto insurance by subscribing to the Crown service.

In January 2007, the Company, Crown and the automobile manufacturer successfully completed a pilot program consisting of the installation of 20,000 locators demonstrating that the monitoring service offered by Crown was effective. At that time, Crown and the Company entered into an agreement whereby Crown committed to purchasing 490,000 units from the Company for factory installation over a 12 month period. Soon thereafter the Company entered into an agreement to lend up to USD 12 million to Crown to provide it with working capital to establish the program. Under that purchase order, the Company has shipped a net total of 55,400 locator units to Crown.

Subsequent to April 30, 2007, the Company determined that Crown is in default of its loan agreement and its distributor agreement with the Company, primarily due to non-payment of amounts due. As a result, the Company took action to collect on the amounts due and has since made the determination that it is not probable that Crown will be able to repay the amounts owing. As such, the Company has made a full provision for the loan receivable from Crown in the amount of \$5,251 (equivalent to USD\$4.5 million), and has taken a loss on suspended operations of \$7,814. In addition the Company is taking a charge for inventory impairment of \$4,063 related to inventory manufactured for sale to Crown for a total charge of \$16,128.

The Company intends to pursue Crown for repayment and to exercise its security and other rights under its loan and distributor agreements with Crown. These agreements are however 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.

The Company’s security for the loan receivable from Crown includes a pledge of the shares in Crown Telecom. Should the Company be successful in exercising these rights, or otherwise change its relationship with Crown Telecom such that it becomes the primary beneficiary of its operations, the accounting treatment of the Company’s relationship with Crown may change. Included in the possible changes that may occur is a consolidation of Crown under Variable Interest Entity (“VIE”) rules.

## INDUSTRY AND ECONOMIC FACTORS

### ***Industry***

Industry factors remain unchanged from those disclosed in the Company’s annual management discussion and analysis.

In fiscal 2006 the Company launched its consumer automotive division to focus on in-vehicle safety and security, monitoring and diagnostics, and navigation services. Telematics Research Group estimates that worldwide sales of telematics-enabled vehicles will reach approximately 20% of all new automobiles sold in 2007 and 43% of all new automobiles sold in 2010.

The Company has focused its consumer automotive initiatives on markets outside North America, such as Brazil, where auto theft (a prime driver of the demand for telematics-enabled automobiles) are higher than in other markets. In Brazil alone, auto thefts amount to approximately \$5 billion per year (according to a report by US & Foreign Commercial Service and the US Department of State, 2004). In January 2006 the Company signed a one-year, 20,000 unit order to deliver units to Crown, its value-added reseller in Brazil, for deployment by an automobile manufacturer in Brazil. Subsequently the Company received a

purchase order from Crown for 490,000 units to commence delivery in January 2007. The Company has since determined that this VAR is unable to meet its financial obligations to the Company and in this quarter the Company is writing off all amounts owed by this VAR, and is recording an inventory impairment charge on inventory shipped to this VAR and additional inventory on hand produced for sale to this VAR.

A key component of the Company's strategy outside of North America is to use VAR's to distribute its products. In many cases the VARs that the Company works with are new companies with limited capital resources. In some cases the Company has supported its VAR's by providing extended credit terms, and in the case of its VAR in Brazil, a term loan. Due to the limited operating history of these VARs and the limited credit security they are able to offer, there is risk that the business of the VAR's will fail and as a result the Company may report losses. We have experienced just such a risk in Brazil, where Crown has, as a result of previously reported working capital problems, defaulted on its agreement with us, forcing us to write off our loan receivable and accounts receivable owing from Crown. Despite this, the Company continues to pursue its consumer automotive strategy in Brazil through direct contact with the related automobile manufacturer and with other local service providers.

While the problems with the Company's VAR in Brazil are significant, the Company remains well funded with sufficient working capital balances and a pipeline of sales opportunities.

### ***Economic***

WebTech's reported revenue and net income are affected by fluctuations in the exchanges rates of the Canadian dollar, the US dollar and UK pound. For the nine months ended April 30, 2007 approximately 61% (April 30, 2006: 67%) of revenue was US dollar denominated and 17% (April 30, 2006: 22%) of revenue was denominated in UK pounds. The exchange rate for US Dollars at April 30, 2007 was 0.9036, compared with 0.884 on July 31, 2006. The exchange rate for UK pounds at April 30, 2007 was 0.4518, compared with 0.473 on July 31, 2006. The strengthening of the Canadian dollar against the US dollar experienced by the Company impacts reported revenues, accounts receivable and loan receivable negatively. The effect is partially offset by a favorable impact on expenses and accounts payable and the weakening of the Canadian dollar against the UK pound.

Given the weakening of the US dollar against the Canadian dollar in the quarter, the Company is reporting a significant loss from foreign exchange for the quarter. A large portion of this loss was generated from the large US dollar balances owed by Crown (which have since been written off) and thus the size of the foreign exchange loss is not expected to be a systemic recurring charge.

## **RESULTS FROM OPERATIONS**

The Company reported a decline in revenue during the quarter ended April 30, 2007, due primarily to the fact that a significant portion of sales in the period are from sales to the Company's VAR in Brazil, for which no revenue has yet been recognized as well as a decline in the Company's sales in Europe. The Company has since determined that it may not be paid for the business in Brazil and has suspended shipments to its VAR there, is writing off all amounts owed by the VAR and is taking an inventory impairment charge on inventory shipped to and inventory produced for sale to the VAR. The combined total of these charges is \$16,763.

### **Revenue**

The Company is reporting a decline in revenue in the quarter compared to the same quarter of the prior year of 17% primarily due and the fact that a significant portion of sales in the period are from sales to the Company's VAR in Brazil, for which no revenue has yet been recognized and an unrelated decline in sales in Europe experienced primarily as a result of the Company's focus on its business in Brazil. Despite the decline in Europe the Company believes that market to be a strong opportunity for the Company's products and intends to expand its efforts there. Also, despite the significant problems with its VAR in Brazil, the Company continues to believe that it will see sustainable growth in the consumer automotive segment in the future.

Revenue for the nine months ended April 30, 2007 grew by 1% to \$11,468 from \$11,353 primarily on growth in subscription revenue and in North American sales.

During the quarter ended January 2007, due to the successful completion of a trial program consisting of 20,000 locator units, the Company received a purchase order from its VAR in Brazil for 490,000 units for factory installation and shipped 17,400 of these locators in January 2007. During the quarter ended April 30, 2007 a further 38,000 locators were shipped before shipments to the VAR were suspended. Revenues for the nine month period ended April 30, 2007 do not include these shipments as the VAR's historical payment record combined with the conversion of certain accounts receivable owed by the VAR into a loan with payment terms of greater than one year required the Company to defer the recognition of revenue from the VAR until the amounts involved were actually received in cash. Due to non-performance the Company does not currently anticipate any further orders to this VAR and has made a reserve for all amounts owing by the VAR.

While the Company's growth in the consumer automotive market has been disrupted by events in Brazil, the Company believes that its strategy of pursuing the automotive market is sound, and continues to pursue other such opportunities in Brazil and around the world. The Company also expects that revenue from commercial fleets will continue to grow. Sales growth from small to medium size government is also expected as is revenue from transportation and trucking.

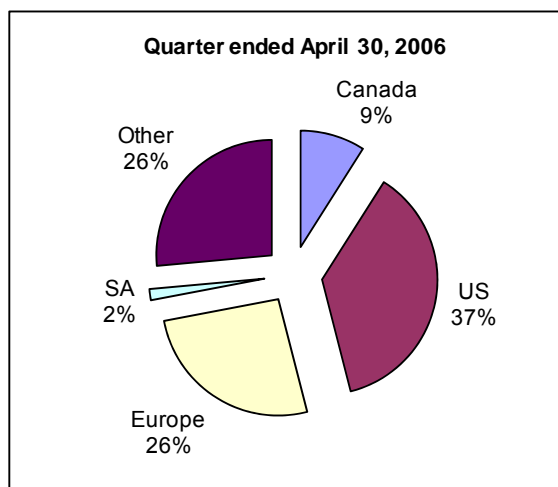
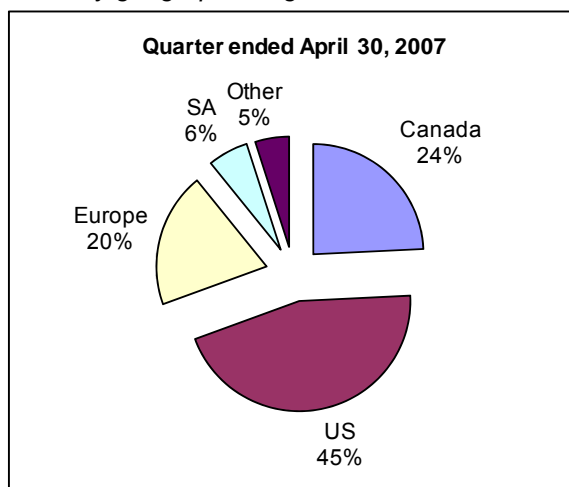
The Company earns recurring subscriber revenue from monitoring the locators which it sells. Recurring service revenues grew by 49% in the quarter and by 45% for the nine month period over the comparable periods of the prior year. As locator sales increase, subscriber revenues also increase. Due however to the increase in order quantity and the increase in reseller orders, there may be a time lag between the time of locator sales and when the Company will bill or recognize recurring service revenue. This time lag relates to the delay between sale of the units to resellers and their follow on sale to end users, training, and the installation and activation of locators. As the consumer automotive business is realized, subscriber revenues for automotive customers will increase at a lower rate than our historical norm due to the relatively lower average revenue per unit. This lower rate per unit may be offset due to higher volumes.

### ***Segmented Information***

The Company has made sales in over 40 countries around the world, with the majority of sales coming from Canada, the United States, Europe, the Middle East, and South America. Despite an increase in the worldwide demand for wireless vehicle services and the Company's further expansion into these markets, the Company realized a general decrease in international sales during the three and nine month periods ended April 30, 2007, due to the fact that a significant portion of sales in the period were from sales to the Company's VAR in Brazil, for which no revenue has yet been recognized.

Revenue from sales in North America increased by 25.1% over the prior comparable quarter as sales to government fleets and small to medium commercial fleets increased. European sales decreased by 36.6% over the comparable quarter as the Company focused it's international efforts on the opportunity in Brazil.

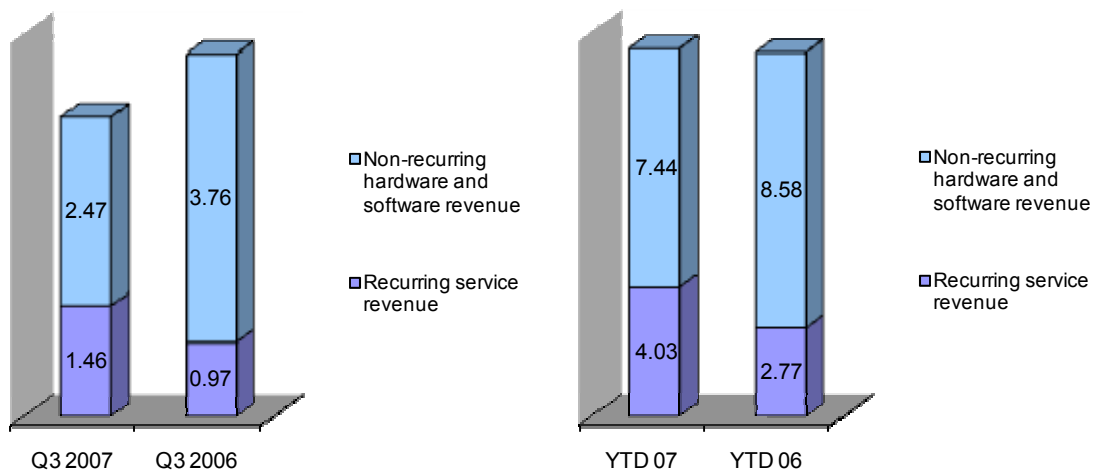
*Sales by geographic segment*



Revenue from sales in North America for the nine months increased by 22.3% over the prior comparable period due to increased sales activity of government fleets and small to medium commercial fleets.

Revenues can be split into the two categories of: (i) non-recurring hardware and software sales; and (ii) subscriber revenues. Subscriber (or recurring services) revenues have increased by 49% over the prior comparable quarter and by 45% over the prior nine month period, and have increased as a percentage of total sales to approximately 37.1% for the quarter, compared with 20.6% for the prior comparable quarter and to 35.2% vs. 24.4% for prior the nine month period. This increase is due to the fact that the prior comparable period results included a large proportion of hardware only sales, while the current period has seen a return to the Company's traditional mix of blended hardware and software sales.

*Sales in \$millions by category are as follows:*



**Gross Profit and Margins**

Gross profit grew by 6% to \$2,514 for the third quarter of 2007 from \$2,373 for the third quarter of 2006 despite the decline in total sales. The improved gross profit was the result of the previously discussed increase in the overall contribution from high margin subscription and services revenue. Gross profit margin for the quarter ended April 30, 2007 was 64%, reflecting an increase of 14 percentage points from the gross profit margin of 50% for the prior comparable quarter. The improvement in the gross profit margin was due to the previously described growth in high margin subscription and services revenue. Gross profit grew by 8% to \$6,123 for the nine month period ended April 30, 2007 from \$5,683 for the

nine month period ended April 30, 2006 due to the growth in higher margin subscription sales as a percentage of total sales. Gross profit margin for the nine month period was 53% (2006 - 50%) benefiting from the margin increase effects previously described.

### **Net Income**

For the three and nine months ended April 30, 2007 the Company realized net income (loss) of (\$18,678), and (\$19,037) respectively (2006: income of \$492 and income of \$495). The loss was driven primarily by the aforementioned write off of amounts owing and inventory related to the Company's operations in Brazil.

During the three and nine month period the Company realized interest income from the investment of excess working capital of \$447 and \$622 respectively (2006: \$16 and \$20).

During the three and nine months period the Company booked a foreign currency (loss) of (\$1,384) and (\$616) respectively (2006: (\$5) and (\$262)) The increase in reported foreign currency losses for the three and nine month period are a direct result of the Company holding larger than normal US dollar denominated assets, being the loan receivable owed by Crown and inventory sold to Crown but held on the balance sheet as deferred sales and additional inventory manufactured and held for future sale to Crown. These assets were adjusted to their Canadian dollar values on April 30 prior to being written off, thus contributing to the foreign exchange loss reported.

During the three months ended April 30, 2007 the Company booked bad debts totaling \$XXX,, the majority of the provision being amounts owed by its distributor in Kuwait.

During the three months ended April 30, 2007 the Company booked an inventory impairment charge of \$4,063 and a loss from suspended operations of \$7,814 related to the previously described issues with its VAR in Brazil. The loss from suspended operations represents the dollar value of inventory shipped to Crown which had not yet been recognized as revenue. The loss from suspended operations is distinct from the inventory impairment charge as this inventory is no longer in the control of the Company.

### **Operating Expenses**

The Company experienced a 65% increase in third quarter expenses over the prior year's comparable quarter. For the nine month period the Company realized a 63% increase over the prior comparable period for these expenses.

#### ***Marketing and Sales***

Marketing and sales expense increased by 8% over the prior comparable quarter. Of such increase, 59% was due to increased sales staff and consulting costs, 11% was due to increased marketing staff costs, 10 % was due to increased recruiting costs, and the balance due to the growing sales force and its related costs. Variable sales commissions relating primarily to North American hardware sales comprise 15% (2006 – 20%) of the total year to date marketing and sales expense. Marketing and sales expense for the quarter ended April 30, 2007 increased as a percentage of sales from 16% in the third quarter last year to 28% in the third quarter this year as the Company expanded its international sales force.

#### ***Research and Development***

Research and development costs for the quarter increased by 84% over the prior year due to increased staffing costs and increased research and development activities to enhance WebTech's product portfolio and services offerings.

During the quarter the Company introduced new products aimed at transportation customers to manage both trailer and tractor assets;

- Trackbox, a rugged enclosure for WT5000 Locators that require portability and operate in environmentally harsh conditions.

- Latest release of WebTech Quadrant Transportation Fleet Management solution, compliant with Canadian 2007 Hours of Service Rules and the California 8/80 Rule.
- Enhancements to Quadrant Enterprise Groups that improve the ability for large companies to manage regional fleets nation-wide.
- Multi-zone temperature sensors to meet increasing regulatory requirements for perishable and pharmaceutical transportation.
- WT1900, WebTech and Iridium to provide intelligent dual-mode cellular and satellite asset tracking and management solution for the transportation industry.
- The first industry solution for tracking both tractors and multiple trailers, WebTech's Power Line Control (PLC) Identification System.

Subsequent to the quarter, the Company introduced two additional new products currently in development:

- Application Specific Integrated Circuit (ASIC), designed for installation on large volume assembly lines of automotive manufacturers, delivers telematics and location-based services (LBS) to passenger and commercial vehicles.
- Integration of Motorola's embedded G24 JAVA wireless module in WebTech Wireless' locators, allowing the large community of JAVA programmers to add custom functionality to the locator and leverage the wide set of existing JAVA applications.

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

#### ***Administration***

Administration expense increased in the period by 80% over the prior comparable quarter. Of this increase 72% was due to a bad debt provision for a distributor in Kuwait, and the balance consisted of a one time listing fee and other costs related to the Company listing on the Toronto Stock Exchange and miscellaneous support costs. Administration expense increased as a percentage of total sales from 23% in the third quarter last year to 16% in the third quarter of this year primarily as a result of an expansion of accounting and compliance staff. Administration expenditures are expected to continue increasing as the Company continues to build infrastructure to support its growth, although the Company expects that they will decrease as a percentage of sales due to economies of scale.

#### **Litigation**

On May 11, 2007 the company was served with a lawsuit alleging patent infringement filed by Lunar Eye Inc. in the Eastern District of Texas. The Company has conducted a preliminary examination of the lawsuit and believes it to be without merit. The Company has engaged local IP counsel and Texas based litigation counsel and intends to vigorously defend itself from the suit.

## SUMMARY OF QUARTERLY RESULTS

### Selected Quarterly Financial Information

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

Quarter Ended	2007 Apr 30 (Restated)	2007 Jan 31 (Restated)	2006 Oct 31	2006 Jul 31	2006 Apr 30	2006 Jan 31	2005 Oct 31	2005 Jul 31
Revenue	3,922	3,639	3,907	4,990	4,734	4,064	2,556	3,269
Gross Profit	2,514	1,695	1,914	2,565	2,373	2,062	1,249	1,658
Gross Margin %	64%	47%	49%	51%	50%	51%	49%	50%
Expenses	5,126	2,921	1,990	2,232	1,892	1,563	1,491	1,392
Net earnings (loss)	(18,678)	(393)	34	609	492	334	(331)	236
EPS (Basic)	(\$0.35)	(\$0.01)	Nil	\$0.02	\$0.01	\$0.01	(\$0.01)	\$0.01
EPS (Diluted)	(\$0.35)	(\$0.01)	Nil	\$0.02	\$0.01	\$0.01	(\$0.01)	\$0.01
Total Assets	42,218	61,522	22,531	22,334	20,946	11,315	10,348	6,898
Total Long Term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Factors affecting quarterly results

The most significant factor affecting the Company's quarterly results for the period ended April 30, 2007 is the write off of amounts owing from the Company's VAR in Brazil as well as impairment charges related to inventory shipped to the VAR and held in anticipation of future sale to the VAR.

The Company has historically grown organically through increased direct sales to small and medium-sized customers, as well as larger government and commercial clients. The sales cycle to these customers can vary from a few weeks to many months. In addition, over the past several years, the Company has been seeding 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 the next quarter (or later). Nevertheless, the long term historical trend has been for rapidly increasing sales of the Company's products, although this trend may be disrupted as the Company works to replace the business in Brazil.

The Company's sales to commercial markets are subject to seasonality. Typically, locator sales in the first quarter of each year are lower due to decreased buying activity in the Company's final quarter.

The Company's sales and delivery of orders may be canceled or postponed due to other factors outside the control of the Company such as factory strike, government regulation, political instability or other factors. In addition, sales to the consumer market are dependent on the manufacturing schedules of third parties and are outside the control of the Company. Such events, should they occur, may have a material negative impact on the Company's revenues, profitability, and/or financial condition as seen in this quarter with the Company's VAR in Brazil.

## LIQUIDITY AND CAPITAL RESOURCES

### Current Assets

WebTech's total current assets at April 30, 2007 totalled \$40,806 (July 31, 2006 - \$21,304). The increase was mainly due to receipt of proceeds from a \$40,250 financing that closed in January 2007.

### Working capital

At April 30, 2007, the Company had positive working capital of \$38,232, compared with \$18,812 at July 31, 2006. The Company also has available a credit facility of up to \$1 million, subject to margin criteria, with a Canadian chartered bank.

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

Working capital is strong as a result of recent 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. Also during the second quarter of 2007 the Company reduced working capital with the provision of a loan of up to US \$12 million, with payment terms in excess of one year, to its VAR in Brazil. Pursuant to the loan agreement, the Company advanced US \$2 million in cash and the balance against accounts receivable and customer deposits. This loan has since been determined to be non-performing and the Company has made a provision for the full amount of the loan in this quarter.

The Company has also generated working capital from historical financings. During the first quarter of fiscal 2006, the Company raised \$3,439 from the exercise of share purchase warrants. During the third quarter of fiscal 2006, the Company raised \$9,302 (reported net of cash issue costs) from the private placement of special warrants

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

#### ***Cash and cash equivalents***

At April 30, 2007, the Company had cash and cash equivalents of \$28,863, compared with \$10,640, at July 31, 2006.

During the third quarter the Company used cash to fund operating activities, which is net income adding back non-cash items, of \$1,335 (2006: generated \$627) and used cash of \$5,783 (2006: \$584) to fund non-cash working capital items, mainly attributable to increases in inventory, prepaid expenses and deposits paid.

For the nine month period ended April 30, 2007, the Company generated cash flows from operating activities of \$1,356 (2006: generated \$820) and used cash of \$17,306 (2006: 1,971) to fund non-cash working capital items, also mainly attributable to increases in inventory, prepaid expenses and deposits paid.

#### ***Accounts receivable***

Accounts receivable have been adjusted for 100% of amounts owing from the Company's VAR in Brazil and net amounts due from its distributor in Kuwait and were \$4,183 at April 30, 2007, compared with \$7,015 at July 31, 2006. Amounts due from three customers with large volume sales contracts comprised 29.9% of accounts receivable. The Company's management has reviewed its accounts receivable balances as at April 30, 2007, including the balances owing from these three customers, and believes that adequate provision has been made for doubtful accounts. From time to time, to take advantage of significant growth opportunities, the Company may grant credit terms in excess of its standard credit terms to its resellers and distributors with large volume orders, reducing accounts receivable turnover and contributing to larger accounts receivable balances and increased credit risk. At April 30, 2007, accounts receivable were comprised of aged amounts as follows: 0% over 120 days; 5.57% over 180 days and 21.50% over 240 days.

#### ***Inventory***

After taking an inventory impairment charge \$4,603 in the quarter to adjust the carrying value of certain inventory manufactured for sale to the Company's VAR in Brazil, inventory has increased from \$2,849 at July 31, 2006 to \$4,442 at April 30, 2007. As the Company's inventory levels increase, there is risk that cancellation of orders could result in significant unsold balances subject to obsolescence.

The Company currently has commitments to manufacturers to produce \$8,327 of inventory manufactured in anticipation of sale to the Company's VAR in Brazil. Given the recent failure of this VAR to meet its

financial obligations, it will likely be necessary for the Company to adjust the carrying value of this inventory once delivered. The Company is not currently able to estimate the amount of such a future adjustment.

***Prepaid expenses and deposits***

Prepaid expenses and deposits primarily relate to amounts paid to manufacturers in advance of receiving inventory. Prepaid expenses and deposits increased from \$800 at July 31, 2006 to \$3,318 at April 30, 2007, which reflects an increase in deposits to manufacturers.

**COMMITMENTS**

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

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

The Company has entered into commitments with suppliers to purchase inventory for delivery by July, 2007 totaling \$8,327.

**RELATED PARTY TRANSACTIONS**

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

	For the Three Months Ended April 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.

## **CRITICAL ACCOUNTING ESTIMATES**

### **Write off of amounts owing by Crown Telecom**

The Company has written off 100% of the amounts owed to it by Crown, the Company's VAR in Brazil based on management's belief that Crown will continue to be unable to meet its financial obligations to the Company and others. Management arrived at this conclusion based on its knowledge of Crown's operations, discussions with Crown management and creditors and discussions with the Company's legal and business advisors in Canada and Brazil. Crown continues to work to solve its working capital problems, and if successful could ultimately repay some or all of the amounts owing to the Company. Were this to occur it would have a positive impact on the earnings of the Company in the period in which such payments, if any, were received.

### **Write down of Inventory**

The Company has determined that portions of its inventory need to be written down in value due to a significant run-up in inventory purchases made in anticipation of sales to Crown. This reduction in value is based on management estimate that the inventory in question will ultimately be disposed of for less than cost. This estimate is based on the high number of units in question, the nature of the units built for Crown and the shelf life of the units. Should these estimates prove incorrect, this may have either a positive or negative impact on future earnings of the Company depending on the ultimate price achieved for the inventory.

## **CHANGES IN ACCOUNTING POLICIES**

### **New Accounting Pronouncements**

New accounting pronouncements which may affect the Company's financial statements are substantially unchanged from those disclosed in the Company's annual management discussion and analysis dated October 15, 2006.

## **USE OF ESTIMATES**

A precise determination of many assets and liabilities is dependent upon future events; therefore, 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.

## **RISKS AND UNCERTAINTIES**

WebTech faces a number of risks and uncertainties that could affect the achievement of its goals. Risks and uncertainties facing the company are described in the Company's Annual Information Form dated December 27, 2006 and are referenced below. In addition, the Company faces the following risks and uncertainties at April 30, 2007:

### ***Credit Concentration and Credit Risk***

The Company provides credit to its clients in the normal course of operations. The Company estimates, on a continuing basis, the probable losses, and records a provision for losses based on the estimated realizable value. There is no assurance that this provision will be adequate. During the quarter ended April 30, 2007 the Company wrote off all amounts owing under a loan arrangement for up to USD\$12 with its VAR in Brazil and made a bad debt provision of \$1,268 representing 100% of the accounts receivable owing by this VAR. In addition, approximately 10.7% of accounts receivable is due from the Company's distributor in Pakistan and approximately 18.6% is owed by two resellers in the UK. The Company is confident that it will collect these amounts however there is no assurance that the Company will be successful in doing so.

### ***Foreign Exchange***

Fluctuations in the exchange rate between the Canadian and US dollars and between Canadian dollars and UK pounds affect WebTech by impacting revenue, expenses and the balance sheet. Although the

Company reports in Canadian dollars, for the quarter ended April 30, 2007, 61% (April 30, 2006: 67%) of revenues were US dollar denominated and 17% (April 30, 2006: 18%) were denominated in UK pounds. A weakening US dollar reduces revenues when reported in Canadian dollars. A strengthening US dollar would have the opposite effect. There is a somewhat mitigating effect in that a portion of the Company's inventory costs are denominated in US dollars. There is a negative impact on the balance sheet as the value of US denominated receivables and loans decreases as the US dollar weakens against the Canadian dollar. There is some offset as US denominated payables will also decrease at the same time. In summary, the offsets between US dollar revenues and expenses and US dollar receivables and payables provide natural hedges for a portion of the Company's foreign exchange exposure. At April 30, 2007 the US dollar exchange rate was 0.9036 compared with 0.884 at July 31, 2006. To date, the Company has not engaged in exchange rate hedging contracts. As noted above the Company also sells to customers in UK pounds and incurs operating costs (primarily from its UK subsidiary) in UK pounds, however the Company's costs of sales are primarily denominated in US dollars. If the UK pound weakens relative to the Canadian dollar, the Company may record losses on translation of its subsidiary's accounts.

Reported in Canadian dollars at April 30, 2007, the Company held net current monetary balances of \$4,545 in US dollars and \$1,489 in UK pounds.

### ***Loan Receivable***

On January 25, 2007 the Company entered into a two-year loan agreement with Crown and two related companies (collectively "Crown"), its VAR in Brazil. The loan for a maximum of US \$12 million, bears interest at 12%, payable monthly, with principal payments due in year two. The loan agreement is governed by the laws of Brazil and is enforceable by the courts of Brazil. There is risk that the legal system in Brazil may not be adequate to enforce the loan agreement or its security. There is also risk that Crown's business will fail, due to its inability to fund its ongoing operations, or due to its inability to execute on its contracts. It is not apparent that Crown has the capital resources necessary to fulfill its obligations.

As of the date of this report, the Company has made a determination that the loan will not be collected without legal action and has made a full provision to write off this loan.

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

- The Company has grown quickly and expects to continue growing. If the Company is unable to effectively manage this growth its ability to operate effectively would be impaired.
- The Company may not be able to sustain profitability from operations for the current fiscal year and beyond.
- The Company operates in a rapidly evolving technology market. Its continued success depends on its ability to keep pace with these technology changes.
- The Company may not be able to continue to protect its intellectual property from unauthorized exploitation by others and to protect itself from claims of infringement by others.
- The Company may require further financing to fund its growth and such financing may not be available on acceptable terms, or at all.
- The Company's industry is very competitive and includes several competitors with greater resources than the Company.
- The Company depends on several suppliers and service providers to provide critical components for its products and services.
- WebTech 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 may have significant inventory volumes that could be subject to write down due to obsolescence as occurred in this quarter.
- 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.

- WebTech 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.
- 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 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 Company depends on a small number of customers for a significant portion of its revenue.
- The future growth of the Company depends in part on the successful deployment of next generation wireless data and voice networks by third parties for which the Company is developing products.
- As part of the business strategy of the Company, the Company may acquire additional assets and businesses principally relating to or complementary to our current operations. Any acquisitions and/or mergers will be accompanied by the risks commonly encountered in acquisitions of companies.

## **OUTSTANDING SHARE DATA**

As at June 6, 2007 the Company had 58,115,301 common shares outstanding. The Company has 2,783,279 share purchase options outstanding entitling the holders to purchase one common share for each option held at \$0.25 to \$6.98 per share expiring on various dates up to April 30, 2012.

## **ADDITIONAL INFORMATION**

### ***SEDAR***

Additional information relating to WebTech is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

	April 30, 2007 <i>(unaudited)</i> <i>Restated (Note 14)</i>	July 31, 2006 <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>	60,005	21,105
Contributed surplus <i>(Note 8)</i>	515	574
Deficit	(20,874)	(1,837)
	39,645	19,842
	\$ 42,218	\$ 22,334

Subsequent Events *(Note 13)*

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 30-Apr-07 (unaudited) Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited)</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)	919	511	2,144	1,242
Amortization	106	92	271	209
Marketing and sales	1,102	746	3,113	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	<u>(13,427)</u>	<u>492</u>	<u>(13,786)</u>	<u>495</u>
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) Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited)</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) Restated (Note 14)</i>	<i>Three Months Ended 30-Apr-06 (unaudited)</i>	<i>Nine Months Ended 30-Apr-07 (unaudited)</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))	99	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	34,511	2,923	10,640	1,072
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 - Restated

(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**

April 30, 2007 and 2006 - Restated

(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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2007 and 2006 - Restated

(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**

April 30, 2007 and 2006 - Restated

(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 - Restated

(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>

**WEBTECH WIRELESS INC.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2007 and 2006 - Restated

(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>

<sup>1</sup> 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

April 30, 2007 and 2006 - Restated

(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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**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. 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 was as follows:

<b>Summary of Restatement - Statement of Operations</b>	
Revenue	(10,578)
Cost of Sales	7,814
Gross Profit	<u>(2,764)</u>
Bad Debt	1,633
Foreign Exchange gain (loss)	551
Impairment of Inventory shipped under deferred sales	(7,814)
Impairment of loan receivable	8,394
<b>Net Income</b>	<u><u>-</u></u>