

MANAGEMENT'S DISCUSSION & ANALYSIS

Quarter ended April 30, 2005

This document is dated June 9, 2006.

(dollars expressed in \$000's)

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, 2005 have been prepared in accordance with Canadian Generally Accepted Accounting Principles in Canada and are stated in Canadian Dollars.

OVERALL PERFORMANCE

Industry and Economic Factors that Impact WebTech Wireless

Industry

WebTech develops and sells location-based and telematics subscriber services and hardware. The Company has developed a fully integrated end-to-end system (both a subscriber service called Quadrant System and hardware) that provides a platform to offer Wireless Vehicle Services ("WVS") to various industry and government vertical markets in North America, South America, Europe, Asia and the Middle East.

Wireless Vehicle Services provided through the Quadrant System can be separated into four areas:

1. Location Based Services – navigation, Automatic Vehicle Location ("AVL") / tracking, "localized" Internet, traffic reporting, proximity advertising, geofencing and vehicle monitoring.
2. Safety & Security (often called Telematics) – Transport of hazardous material, anti-theft, vehicle recovery, air-bag deployment notification, remote door lock/unlock, and remote vehicle diagnostics.
3. Communications – dispatch, voice/cellular, data, and messaging.
4. Fleet Management – mobile computing, digital forms/reporting, invoicing, city search, and data collection. An estimate provided by Clarus Securities Inc. indicated that only 15% - 20% of the over 4 million "heavy" trucks in the USA use telematics.

Clarus' estimate of penetration in the consumer market shows telematics devices being used in less than 2% of vehicles in the USA and in less than 1% of vehicles globally.

Factors driving the increase in use of telematics include:

- lower costs for hardware and airtime,
- more comprehensive and better subscriber services at similar prices,
- a trend toward safety and security of mobile workers and assets, and
- an increased awareness of the benefits of telematics by consumers.

The combination of a number of competitors going through restructuring and a recent trend of consolidation among various players in the market indicates the industry is forcing weaker competitors out while stronger ones are continuing to grow. However, the uncertainty caused by these bankruptcies and takeovers resulted, for a time, in a slower adoption of the technology by potential customers. Now that the industry has been somewhat streamlined and strengthened skeptical customers should have more confidence going forward.

Economic

Webtech's revenue and net income are affected by fluctuations in the exchanges rates of the Canadian dollar, the US dollar and UK Pounds Sterling. For the nine months ended April 30, 2005, approximately 63% (2004: 81%) of revenue was US dollar based. The exchange rate at April 30, 2005 was 0.7956

compared with 0.7296 on April 30, 2004, having a negative impact on revenue and earnings. WebTech is starting to sell to customers in both UK Pounds Sterling and in Euros. For the nine months ended April 30, 2005, approximately 17% of revenue was derived in UK Pounds Sterling.

Segmented Information

The Company has sales in Canada, the United States of America, Europe, the Middle East, Asia and other areas of the world. At the beginning of the second quarter of 2005, the Company acquired a business located in the United Kingdom, establishing a significant European sales base. Materially all assets of the Company are located in Canada.

Revenues can be split into the two categories of subscriber revenues and non-recurring hardware and software sales.

Sales by geographic segment are as follows

	For the Three Months Ended April		For the Nine Months Ended April	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Canada	21%	19%	21%	19%
United States of America	44%	64%	47%	66%
Europe	18%	14%	18%	13%
Other	17%	3%	14%	2%

As per discussion contained below in “Factors affecting quarterly results”, large sales orders are not distributed evenly among quarters, resulting in variations, which may be significant, in the distribution of sales in geographic segments.

During the third quarter of 2005 the Company derived 35% of its sales from outside North America, compared with 17% from the same quarter last year. Sales to these markets increased by 219% over the prior comparable period. Sales to Canada increased by 73% over the prior comparable period and sales to USA increased by 10%.

While sales to North America continue to grow, they are reducing as a percentage of total revenue due to an increase in focus on foreign markets. In November 2004 the Company opened a subsidiary office in the United Kingdom in connection with the acquisition of a business, to drive its European operations.

Sales by category are as follows:

	For the Three Months Ended April		For the Nine Months Ended April	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Subscriber revenue	25%	34%	28%	30%
Non-recurring hardware and software revenue	75%	66%	72%	70%

Subscriber revenues have reduced as a percentage of total sales due to an 80% increase in hardware sales for the third quarter. However, as many of the hardware units are activated, subscriber revenues will continue to grow. Subscriber revenues for the three and nine months ended January 31, 2005 increased by 17% and 39% respectively over the comparable prior year periods.

RESULTS FROM OPERATIONS

The Company has realized significant revenue growth while maintaining strong profit margins and profitability, despite negative pressure from the declining US dollar.

Revenue

For the third quarter of 2005, the Company realized revenue growth of 58% over the third quarter of the prior year. Of the revenue growth for the quarter, 25% is attributable to sales growth in Europe and 33% is due to sales growth in North America and 42% is due to sales growth throughout the rest of the world. For the Nine month period ended April 30, 2005, the Company realized 46% growth over the comparable period of the prior year. Of the revenue growth for the nine month period, 28% is attributable to sales growth in Europe, 31% is due to sales growth in North America and 41% is due to sales growth throughout the rest of the world. Due to an increase in qualified sales leads and due to a significant number of larger customers participating in trials of our product, it is expected that sales will continue to increase.

Gross Profits and Margins

Gross profit grew by 47% over the prior comparable quarter and by 36% over the prior nine month period, due to the growth in sales. Gross profit margin for the third quarter of 2005 was 48%, compared with 52% for the prior comparable period and for the nine month period was 49% compared with 52% of the prior comparable period. The decrease in margins is due to a shift in revenue mix during the second quarter, as hardware sales increased as a percentage of total revenue, and due to lower pricing for large volume opportunities in initial trial sales.

Net Income

For the three and nine months ended April 30, 2005, Webtech realized net income of \$142 and \$203 (2004: \$105 and \$235) respectively. Due to a change in accounting policy, net income for the three and nine months ended April 30, 2005 included stock based compensation expense of \$62 and \$118 respectively. The change in accounting policy was adopted retroactively without restatement, therefore the no stock-based compensation expense was included for the prior periods.

Operating Expenses

The Company realized a 48% increase in expenses, including sales and marketing, research and development, administration and other, over the comparable quarter and a 49% increase for the nine month comparable period.

Sales and Marketing

Sales and marketing expense increased by 136% over the prior comparable quarter due 31% to the addition of European sales costs, 52% to the expansion of our North American sales force, with its attendant sales costs (such as travel) and 17% to costs resulting from timing issues that are not expected to recur. For the nine month period, sales and marketing expense increased by 102%. Webtech will continue to expand its sales force as a significant part of its internal growth strategy.

Research and Development

Research and development costs increased by 39% over the prior comparable quarter and by 40% over the comparable nine month period. This increase is due to hiring new engineering staff and increased research and development activities to enhance our product portfolio and services offering. The Company will continue to invest in research and development activities to maintain technical leadership.

Administration

The Company continues to carefully control administrative expenses, with a 9% decrease over the prior comparable quarter. Administrative expense for the nine month period did not change materially over prior year comparable period. It is anticipated that administrative expense will increase to support the increase in sales, however it is expected to grow at a lower rate, increasing profitability due to economies of scale.

Risks and Uncertainties that could impact WebTech

The achievement of WebTech's goals faces risks and uncertainties, including, but not limited to, the following.

Competition - The Automatic Vehicle Location and Telematics industry is a very competitive space. A number of the Company's existing competitors have substantially greater financial, marketing and other resources. Several of these companies also have greater name recognition and well established relationships with some of the Company's target customers. Furthermore, these competitors may be able to adopt more aggressive pricing policies and offer more attractive terms to customers than the Company. The Company may face increasing price pressure from its customers. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to compete more effectively. Finally, existing and potential competitors may develop enhancements to, or future generations of, competitive products and services that will have better performance features than the Company's system.

Employees - Because of the technical nature of its business and the dynamic market in which the Company competes, continued performance depends on attracting and retaining highly skilled engineering, managerial, consulting, marketing and sales personnel. In particular, the Company's future success depends in part on the continued services of each of its current executive officers and other key employees. In order to increase revenues significantly, the Company needs to hire a substantial number of employees in the near future. 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 it is difficult to hire and retain these persons.

Government Regulations - The Company operates in a Global Marketplace. The Company could incur additional costs in order to comply with regulations as they might pertain to certain issues concerning, content, privacy, taxation and other considerations by foreign or state governments.

Product Liability Risk; Possible Insufficiency of Insurance - The Company's business involves the risk of liability claims. It is possible that an error arising from the installation of the Company's hardware in a vehicle or the subsequent misuse of the Company's products by its clients could give rise to damages. Although the Company has not experienced any liability claims of this sort to date, the majority of the Company's operations and sales are transacted elsewhere than Canada. Generally speaking, the overall climate and propensity towards litigation is significantly greater in other countries than in Canada as well as the size of the awards and damages granted. Any such claims could have a material adverse effect on the Company, its business, financial condition and results of operations. It is possible that the Company's liability insurance would prove inadequate in the event of a successful liability claim against the Company. Even if a liability claim is not successful, the time and expense of defending against such a claim may adversely affect the Company's business, financial condition and results of operations.

Operations - The Company's operations are dependent upon its ability to protect its network infrastructure and customers' equipment against damage from human error, fire, earthquakes, floods, power loss, telecommunications failures, sabotage, intentional acts of vandalism, and similar events. Despite precautions taken by, and planned to be taken by the Company, the occurrence of a natural disaster or other unanticipated problem at one or more of the Company's network access point facilities could result in interruptions to the services provided by the Company. Such an event could significantly impact the ability of suppliers to provide the data communications capacity required by the Company and could result in interruptions in the Company's services.

Working Capital – The Company's success is predicated on its ability to finance growth. Management believes that operations and commitments will be adequately financed over the following four quarters, however the Company's ability to satisfy its future growth activities may be dependent on future equity financing or the exercise of share purchase warrants.

Foreign Exchange – Fluctuations in the exchange rate between the Canadian and US dollars affects WebTech by impacting revenue, expenses and the balance sheet. Although the Company reports in CAD dollars, for the nine months ended January 31, 2005, 63% (2004: 81%) of revenues were US dollar denominated and 17% (2004: Nil) were in UK Pound Sterling. A weakening US dollar reduces revenues when reported in CAD 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

decrease if the US dollar weakens against the CAD 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 part of the Company's foreign exchange exposure. At April 30, 2005 the exchange rate was 0.7956 compared with 0.7296 at April 30, 2004. The Company does not engage in exchange rate hedging contracts and, while it may do so in the future, there are not any present plans to do so. During the third quarter of 2005, the Company commenced active business in the United Kingdom through its wholly owned subsidiary, pursuant to a business acquisition. The UK subsidiary sells to customers and incurs operating costs primarily in UK pound sterling, however its costs of sales are primarily denominated in CAD and US dollars. Current economic forecasts that Webtech has seen estimate a relatively flat exchange rate between the CAD dollar and UK pounds sterling. However, if UK pound sterling weakens relative to the Canadian dollar, the Company may record losses on translation of its subsidiary's accounts.

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Information

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

Quarter Ended	2005 Apr 30	2005 Jan 31	2004 Oct 31	2004 Jul 31	2004 Apr 30	2004 Jan 31	2003 Oct 31	2003 Jul 31
Revenue	2,916	2,790	1,341	1,723	1,841	1,753	1,247	944
Gross Profit	1,442	1,381	660	843	948	905	690	513
Gross Margin	49%	49%	49.2%	48.9%	51.5%	51.6%	55.3%	54.3%
Expenses	1,324	1,081	928	1,071	838	801	664	731
Net earnings	142	329	(268)	(228)	105	104	26	(218)
EPS (Basic)	\$0.00	(\$0.01)	(\$0.01)	(\$0.01)	\$0.00	\$0.00	\$0.00	(\$0.01)
EPS (Diluted)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Assets	6,640	5,459	4,447	4,385	4,741	2,816	2,116	1,827
Total Long Term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Factors affecting quarterly results

The Company has been growing organically through direct sales to small and medium-sized customers. The sales cycle to these customers can vary from weeks to many months. As well, over the last several years the company has also been seeding the market by selling product to large customers to use for trials. Some of these trials last for over two years. As a result, predicting the sales results for a quarter is difficult as sales cycles or trials may close in the quarter or easily slip into the next quarter (or even take longer). Nevertheless, the longer term trend has been for rapidly increasing sales.

In addition to organic growth, the Company has also grown by acquisition during the second quarter of 2005. At the beginning of the second quarter, the Company acquired the business of a UK based reseller of its products and services. This new business unit contributed \$1,263 in sales during the six months since its acquisition.

The Company has been able to maintain healthy gross margins, despite the falling US dollar, by aggressively cutting product costs. Overhead costs are strictly controlled and increased only when absolutely necessary to support increasing business.

Progress on previous announcements

December 14, 2004 CPR intermodal fleet carriers access to real-time fleet management services

Units have been shipped and installation is underway.

January 14, 2005 \$2 million exclusive partnership to deliver fleet telematics to Pakistan

The Company is continuing to ship product as anticipated.

May 5, 2005, Tracks Gear, Australia

Units have been shipped and are operational, Further orders are pending.

May 16, 2005 TireStamp tire-monitoring trial

In the process of identifying trial customers.

May 25, 2004 \$1.5 million, 12 month agreement with Datacom Wireless

Contract is complete. Follow-on sales have increased above contract levels.

June 1, 2005 Expands government fleet in major US city

Initial order complete. Shipments made for follow-on order, currently being installed.

LIQUIDITY AND CAPITAL RESOURCES

Current Assets

Webtech's total current asset base at April 30, 2005 was \$6,107, up by 50% from the balance at year-end 2004. The increase was mainly due to higher balances of cash, inventory and accounts receivable which were financed by cash generated by the exercise of incentive stock options and share purchase warrants, cash flow from operating activities and increases in accounts payable.

Working Capital

At April 30, 2005, the Company had positive working capital of \$4,499. During the quarter ended April 30, 2005, the Company obtained a credit facility of up to \$1 million, subject to margin criteria, with the Royal Bank of Canada. This facility bears interest at the prime lending rate plus 1%, is repayable on demand, and is secured by a general charge on the assets of the Company. Working capital is strong as a result of earlier private placements, \$905 received from the exercise of incentive stock options and share purchase warrants over the nine month period and the Company's ability to generate cash through operations. However, the Company may be dependent on future equity financing or the exercise of existing share purchase warrants outstanding in order to satisfy its future growth activities.

Net Cash and Cash Equivalents

At April 30, 2005 the Company had cash and cash equivalents of \$848 compared with \$1,538 at July 31, 2004. Cash increased by \$257 during the third quarter of 2005, as the Company due in part to the exercise of incentive stock options and share purchase warrants, offset by a net increase in non-cash working capital balances.

Accounts receivable

Accounts receivable was \$3,099 at April, 2005 compared with \$919 at July 31, 2004 as a result of higher sales. In particular, significantly higher sales in the final month of the quarter resulted in a higher current balance in accounts receivable. The increase in European sales, which typically have longer credit terms, also contributed to the increase in accounts receivable balance.

Prepaid expenses and deposits

Prepaid deposits included in the total prepaid expenses and deposits relate to amounts paid to manufacturers in advance of receiving inventory. Prepaid deposits increased from \$262 at July 31, 2004 to \$370 at April 30, 2005 due an increase in manufacturing activities, to avoid inventory backlogs due to long lead times.

Commitments

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

July 31, 2005	\$150
July 31, 2006	199
July 31, 2007	199

July 31, 2008	199
July 31, 2009	<u>16</u>
	\$706

RELATED PARTY TRANSACTIONS

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

	Three Months Ended April	
	<u>2005</u>	<u>2004</u>
Consulting fees	\$33	\$26
Interest and bank charges	-	-
Legal	5	3
Research and development	18	18
Salaries and wages	<u>18</u>	<u>18</u>
	<u>\$74</u>	<u>\$65</u>

At April 30, 2005, accounts payable includes \$28 (2004: \$43) due to directors and officers of the Company. At April 30, 2005 no amount was due while at April 30, 2004, the \$86 due from the directors of the Company was unsecured, bore interest at 2% per annum and was repayable out of bonuses and/or sale of common shares

OUTSTANDING SHARE DATA

As at June 9, 2005 the Company had 35,203,477 common shares outstanding. Of these common shares, 13,083,145 are held in escrow to be released in varying amounts on set dates up until July 22, 2009. A total of 5,144,498 share purchase warrants at a price of \$0.75 expire on dates from June 23, 2005 until August 27, 2005. There are 856,666 brokers' warrants outstanding with prices of \$0.60 and \$0.75, which expire on August 27, 2005. The Company had 4,178,857 share purchase options outstanding entitling the holders to purchase one common share for each option held at \$0.25 to \$0.64 per share expiring on various dates up to January 10, 2010.

ADDITIONAL INFORMATION

SEDAR

Additional information relating to WebTech is available on SEDAR at www.sedar.com.

This report contains forward-looking statements involving risks and uncertainties pertaining to, but not limited to, use of estimates, product plans, timing, content, and pricing of products, market and industry expectations, the wireless communications industry, the mobile Vehicle industry, and general economic and political conditions. Given the risks and uncertainties inherent in the markets and industries referred to in this report, actual results may vary, perhaps materially from these forward looking statements. Webtech cannot guarantee that any forward looking statements will be realized.

WEBTECH WIRELESS INC.
CONSOLIDATED BALANCE SHEET
(Prepared by Management without audit)

	<u>April 30, 2005</u> (\$000's)	<u>July 31, 2004</u> (\$000's)
ASSETS		
Current Assets		
Cash	848	1,538
Accounts Receivable	3,099	919
Scientific research tax credits receivable	-	202
Inventory	1,790	1,087
Prepaid expenses and deposits	<u>370</u>	<u>335</u>
	6,107	4,081
Due from a director	-	87
Property, plant and equipment	488	402
Goodwill (note 3)	<u>45</u>	<u>-</u>
	<u>6,640</u>	<u>4,570</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,534	708
Customer deposits	<u>36</u>	<u>20</u>
	<u>1,570</u>	<u>728</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 5)	7,781	6,874
Contributed Surplus	395	277
Retained earnings (deficit)	<u>(3,106)</u>	<u>(3,309)</u>
	<u>5,070</u>	<u>3,842</u>
	<u>6,640</u>	<u>4,570</u>

APPROVED BY THE DIRECTORS:

"Anwar Sukkarie"
Director

"Gordon Becker"
Director

NOTICE TO READERS OF THE INTERIM FINANCIAL STATEMENTS

The balance sheets as at April 30, 2005, the statements of operations and deficit, and the statements of cash flows for the three and nine months ended April 30, 2004 and 2005 have not been reviewed by the independent external auditors of the Company.

WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Prepared by Management without audit)

	Three Months Ended April 30, 2005 (\$000's)	Three Months Ended April 30, 2004 (\$000's)	Nine Months Ended April 30, 2005 (\$000's)	Nine Months Ended April 30, 2004 (\$000's)
Sales	2,916	1,841	7,048	4,839
Cost of goods sold	<u>1,474</u>	<u>893</u>	<u>3,565</u>	<u>2,305</u>
Gross profit	<u>1,442</u>	<u>948</u>	<u>3,483</u>	<u>2,534</u>
Expenses				
Administration	297	325	817	844
Sales and marketing	622	263	1,403	693
Research and development	321	231	843	604
Amortization	<u>84</u>	<u>19</u>	<u>199</u>	<u>45</u>
	1,324	838	3,262	2,186
Income (loss) before other items	<u>118</u>	<u>110</u>	<u>221</u>	<u>348</u>
Interest expense/(income)	(1)	(10)	(13)	21
Foreign exchange loss/(gain)	<u>(23)</u>	<u>15</u>	<u>31</u>	<u>92</u>
	(24)	5	18	113
Net income/ (loss) for the period	<u><u>142</u></u>	<u><u>105</u></u>	<u><u>203</u></u>	<u><u>235</u></u>
Deficit, beginning of the period	<u>(3,248)</u>	<u>(2,909)</u>	<u>(3,309)</u>	<u>(3,039)</u>
Deficit, end of period	<u><u>(3,106)</u></u>	<u><u>(2,804)</u></u>	<u><u>(3,106)</u></u>	<u><u>(2,804)</u></u>

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WEBTECH WIRELESS INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Prepared by Management without audit)

	Three Months Ended April 30, 2005 (\$000's)	Three Months Ended April 30, 2004 (\$000's)	Nine Months Ended April 30, 2005 (\$000's)	Nine Months Ended April 30, 2004 (\$000's)
Operating Activities				
Net Income for the period	142	105	203	235
Add item not affecting cash:				
Stock based compensation	62	-	118	-
Amortization	84	19	199	45
	<u>288</u>	<u>124</u>	<u>520</u>	<u>280</u>
Changes in non-cash working capital items related to operations:				
Accounts receivable	(981)	(89)	(2,179)	(858)
Scientific research tax credits receivable	-	314	202	314
Inventory	(175)	(101)	(702)	(336)
Prepaid expenses and deposits	251	(87)	(35)	(112)
Accounts payable and accrued liabilities	367	(412)	827	42
Customer deposits	(62)	29	16	38
	<u>(600)</u>	<u>(346)</u>	<u>(1,871)</u>	<u>(912)</u>
Financing Activities				
Common shares issued, net of costs	672	2,632	905	3,007
Loans payable	-	(215)	-	(215)
Due to directors	-	(215)	85	(194)
	<u>672</u>	<u>2,202</u>	<u>990</u>	<u>2,598</u>
Investing Activities				
Purchase goodwill	-	-	(45)	-
Purchase of capital assets	(103)	(47)	(284)	(126)
	<u>(103)</u>	<u>(47)</u>	<u>(329)</u>	<u>(126)</u>
Net increase (decrease) in cash during the year	257	1,933	(690)	1,840
Cash, beginning of period	<u>591</u>	<u>49</u>	<u>1,538</u>	<u>142</u>
Cash, end of the period	<u><u>848</u></u>	<u><u>1,982</u></u>	<u><u>848</u></u>	<u><u>1,982</u></u>

NOTICE TO READERS OF THE INTERIM FINANCIAL STATEMENTS

The balance sheets as at April 30, 2005, the statements of operations and deficit, and the statements of cash flows for the three and nine months ended April 30, 2004 and 2005 have not been reviewed by the independent external auditors of the Company.

WEBTECH WIRELESS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

(dollar amounts are in \$000's except per share amounts)

Note 1 Nature and Continuance of Operations

Webtech Wireless Inc. (the "Company" or "Webtech") was incorporated under the laws of the Yukon Territory on May 12, 1999. The Company was continued from the Yukon Territory to Alberta on July 24, 2000 pursuant to a Certificate of Continuance.

Effective March 13, 2003, the Company amalgamated with Caliente Capital Corp. ("Caliente"), a public company, and as a result of the amalgamation, the Company became listed on the TSX Venture Exchange.

The Company is in the business of developing and selling location-based and telematics subscriber services and hardware.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at April 30, 2005, the Company has accumulated losses of \$3,106 since incorporation. The continued operations of the Company and the realization of its assets and satisfaction of liabilities are dependent upon management's ability to successfully implement the Company's business strategy and raise equity or debt financing as required.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada for interim financial reporting and are stated in Canadian dollars. The interim consolidated financial statements have been prepared in a manner which is consistent with the accounting policies described in the Company's Annual Report for the Year Ended July 31, 2004 and should be read in conjunction therewith.

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All material inter-company balances have been eliminated. The Company's subsidiary, WebTech Wireless Europe Ltd., which was incorporated in the United Kingdom, commenced active business during November 2004. WebTech Wireless International Inc., which was incorporated in Barbados, is inactive.

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 from these estimates.

Note 2 Summary of Significant Accounting Policies continued

(b) Stock-based Compensation

Effective January 1, 2004, the Canadian Institute of Chartered Accountants (CICA) Handbook section 3870 Stock Based Compensation and Other Stock Based Payments was amended to require expense treatment of all stock-based compensation and payments for options granted on or after January 2, 2002. As permitted by this standard, this change in accounting policy has been applied retroactively without restatement of prior years' financial statements, and results in a \$277 reduction in retained earnings and a \$277 increase in contributed surplus.

(c) Goodwill

The Company has adopted CICA Handbook Section 3062 Goodwill and Other Intangible Assets. Goodwill is tested for impairment annually, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized.

(d) Comparative Figures

Certain comparative figures have been restated to conform with the basis of presentation adopted for the current period.

Note 3 Asset Acquisition

Effective November 1, 2004, the Company entered into an agreement with Global Axxess Corporation Limited ("Axxess") under which it acquired all of the business of Globetrac Limited ("Globetrac") for total consideration of \$56, attributed \$45 to goodwill, \$11 to inventory and \$10 to prepaid expense along with the assumption of \$10 of accounts payable. Globetrac is a former reseller of the Company's products and services in Europe. The Company has assumed Globetrac's customers, resellers, suppliers and portals and all technical support and warranty issues. The Company will pay to Axxess a commission equal to 6% of gross sales for customers and resellers of Globetrac at the transaction date and for prospective customers and resellers, provided business with these customers or resellers commences within one year of the transaction date. Axxess shall be entitled to such commission over a period not to exceed 11 years.

Note 4 Credit Facility

During the quarter ended April 30, 2005, the Company obtained a credit facility of up to \$1 million, subject to margin criteria, with the Royal Bank of Canada. This facility bears interest at the prime lending rate plus 1%, is repayable on demand, and is secured by a general charge on the assets of the Company.

Note 5 Share Capital**Authorized:**

- April 30, 2004 – Unlimited number of common shares with no par value;
 April 30, 2003 – Unlimited number of Class A common shares, voting with no par value;
 – Unlimited number of Class B common shares, non-voting with no par value; and
 – Unlimited number of Class C preferred shares, with no par value.

Issued:

	Number	Total
	<u>Total</u>	<u>Amount</u>
Issued on amalgamation	20,411,415	\$ 2,551
Issued for Caliente	3,104,000	297
Finders fee	822,800	-
Amalgamation costs	-	(340)
Stock options at \$0.20	300,000	60
Issued for cash at \$0.60	7,644,498	4,587
Stock options at \$0.25	644,333	161
Stock options at \$0.47	67,809	32
Warrants at \$0.65	113,499	74
Share issue costs	-	(547)
July 31, 2004	<u>33,108,354</u>	<u>6,874</u>
Stock options at \$0.25	242,199	61
Stock options at \$0.47	50,000	23
October 31, 2004	<u>33,400,553</u>	<u>6,958</u>
Stock options at \$0.47	119,740	56
Stock options at \$0.25	96,119	24
Warrants at \$0.60	125,000	75
Share issue costs	-	(5)
January 31, 2005	<u>33,741,412</u>	<u>7,108</u>
Stock options at \$0.47	300,000	141
Stock options at \$0.25	133,000	33
Stock options at \$0.65	163,000	106
Warrants at \$0.60	431,000	259
Warrants at \$0.75	135,665	102
Issued on Private Placement ¹	62,500	40
Share issue costs	-	(8)
April 30, 2005	<u><u>34,966,577</u></u>	<u><u>\$7,781</u></u>

¹During the quarter ended April 30, 2005, the Company issued 62,500 common shares at a price of \$0.64 per share to directors of the Company as payment for annual director fees.

Note 5 Share Capital continued

Escrow:

At April 30, 2005, there were 13,083,145 common shares held in escrow. These escrow shares will be released pro rata to the shareholders according to the following timetable:

<u>Date</u>	<u>Total</u>
July 22, 2005	751,951
September 24, 2005	150,000
January 22, 2006	1,503,901
March 24, 2006	150,000
July 22, 2006	1,503,901
January 22, 2007	1,503,901
July 22, 2007	1,503,901
January 22, 2008	1,503,901
July 22, 2008	1,503,901
January 22, 2009	1,503,901
July 22, 2009	1,503,887
	<u>13,083,145</u>

Share Purchase Warrants

At April 30, 2005, the Company had 5,144,498 share purchase warrants outstanding entitling the holders thereof to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
561,165	\$0.75	June 23, 2005
398,333 ¹	\$0.60	August 27, 2005
4,583,333	\$0.75	August 27, 2005
<u>5,542,831</u>		

¹At July 31, 2004, the Company had 458,333 brokers' warrants outstanding, entitling the holders thereof to purchase 458,333 units at \$0.60 per unit expiring August 27, 2005. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.75 per share to August 27, 2005. During April, 2005 60,000 of the brokers' warrants were exercised reducing the brokers' warrants outstanding to 398,333 at April 30, 2005 and 60,000 of the share purchase warrants were issued to the holder.

At July 31, 2004, the Company had 500,000 brokers' warrants outstanding, which entitled the holders thereof to purchase 500,000 units at \$0.60 per unit until March 5, 2005. Each unit consisted of one common share and one-half of a share purchase warrant. One full share purchase warrant entitled the holder to purchase one common share at \$0.75 per share to March 5, 2005. During the nine months ended April 30, 2005, 496,000 of the brokers' warrants were exercised and 135,665 of the underlying share purchase warrants were exercised. At April 30, 2005 there were no warrants outstanding.

Note 5 Share Capital continued

Stock Option Plan

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

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

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

	Number of <u>Shares</u>	Weighted Average Exercise <u>Price</u>
Options outstanding, July 31, 2003	3,686,000	\$0.25
Granted	2,668,343	\$0.54
Expired or cancelled	466,191	\$0.27
Exercised	712,142	\$0.27
Options outstanding July 31, 2004	5,176,010	\$0.39
Granted	546,500	\$0.58
Expired or cancelled	439,595	\$0.47
Exercised	<u>1,104,058</u>	<u>\$0.40</u>
Options outstanding April 30, 2005	<u>4,178,857</u>	<u>\$0.40</u>

At April 30, 2005, the Company had 4,178,857 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>
2,095,014	\$0.25	April 1, 2005 to Dec. 4, 2007
500,000	\$0.47	Jan. 5, 2008 to Oct. 3, 2008
256,500	\$0.53	Aug. 16, 2009 to Nov. 1, 2009
1,077,343	\$0.60	Oct. 31, 2007 to May 1, 2009
250,000	\$0.64	January 20, 2010

Note 5 Share Capital continued

Stock Based Compensation Expense

Compensation expense for the three and nine months ended April 30, 2005 was \$62 and \$118 respectively.

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

	<u>April 30, 2005</u>	<u>July 31, 2004</u>
Risk free rate	3.0%	2.0%
Dividend yield	0%	0%
Expected volatility	66%	66%
Weighted average expected option life	3 years	3 years

Note 6 Earnings per Common Share

Basic and fully diluted earning per share for the three and nine months ended April 30, 2005 and 2004 is computed by the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Basic earnings per share for the three and nine months ended April 30, 2005 were nil (2004: nil) and \$0.01 (2004: \$0.01), respectively. Diluted earnings per share were nil for the three and nine months ended April 30, 2005 and 2004. Basic earnings per share for 2005 were calculated based on a weighted average of 33,747,997 shares outstanding for the three month period and 33,470,572 for the nine month period.

Note 6 Commitments

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

July 31, 2005	\$150
July 31, 2006	199
July 31, 2007	199
July 31, 2008	199
July 31, 2009	16
	<hr/>
	\$706
	<hr/>

Note 7 Financial Instruments

a) Foreign Currency Risk:

During the nine months ended April 30, 2005, the Company derived 63% (2004 – 81%) of its revenues in US dollars and 17% of its revenues in UK Pounds Sterling (2004 – n/a). The Company estimates its obligations payable in these foreign currencies and converts all foreign funds in excess of these obligations into Canadian currency as they are received. The Company does not use derivative instruments.

Note 7 Financial Instruments continued

b) Fair Values:

Management estimates that the fair value of the Company's financial instruments at April 30, 2005 and 2004 approximates the carrying values of these instruments.

c) Credit Risk:

For the nine months ended April 30, 2005 one customer comprised 12% of total sales.

Note 8 Related Party Transactions

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

	Nine Months Ended April	
	<u>2005</u>	<u>2004</u>
Consulting fees	\$72	\$63
Interest and bank charges	-	18
Legal	23	-
Research and development	54	54
Salaries and wages	<u>54</u>	<u>54</u>
	<u>\$203</u>	<u>\$189</u>

At April 30, 2005, accounts payable includes \$28 (2004: \$43) due to directors and officers of the Company.

At April 30, 2005 no amount was due while at April 30, 2004, the \$86 due from the directors of the Company was unsecured, bore interest at 2% per annum and was repayable out of bonuses and/or sale of common shares.

Note 9 Segmented Information

The Company has sales in Canada, the United States of America, Europe and in other areas of the world. Revenues can be split into the two categories of recurring service revenues and non-recurring hardware and software sales. Materially all of the assets of the Company are located in Canada.

Sales by geographic segment are as follows:

	Nine Months Ending April	
	<u>2005</u>	<u>2004</u>
Canada	\$1,510	\$932
United States of America	3,288	3,183
Europe	1,263	640
Other	<u>987</u>	<u>84</u>
	<u>\$7,048</u>	<u>\$4,839</u>

Note 9 Segmented Information continued

Sales by category are as follows:

	<u>2005</u>	<u>2004</u>
Recurring service revenue	1,988	1,434
Non-recurring hardware and software revenue	<u>5,060</u>	<u>3,405</u>
	<u>\$7,048</u>	<u>\$4,839</u>

Note 10 Subsequent Events

Subsequent to April 30, 2005, 13,000 common shares were issued upon exercise on incentive stock options at a price of \$0.25 per common share for total proceeds of \$3. Also subsequent to April 30, 2005 301,900 share purchase warrants were exercised at prices ranging from \$0.60 to \$0.75 per common share for total proceeds of \$201.