

Financial Statements of  
(Unaudited)

# **DATACOM WIRELESS CORPORATION**

For the three and nine-month periods ended September 30, 2007 and 2006

# DATAKOM WIRELESS CORPORATION

## Financial Statements

Three and nine-month periods ended September 30, 2007 with comparative figures for 2006

### Financial Statements

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# DATACOM WIRELESS CORPORATION

## Balance Sheets

September 30, 2007, with comparative figures as at December 31, 2006

	<b>September 30,</b>		<b>December 31,</b>
	<b>2007</b>		<b>2006</b>
	(unaudited)		(audited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 7,270,345	\$	650,414
Accounts receivable	1,232,691		1,163,331
Prepaid expenses and deposits	219,426		183,171
Inventories	775,190		328,059
R&D tax credits receivable	620,000		660,000
Current portion of net investment in lease	1,950		1,512
	<u>10,119,602</u>		<u>2,986,487</u>
Fixed assets	258,780		226,343
Intangible assets (note 4)	490,000		171,629
Goodwill (note 4)	817,840		-
	<u>\$ 11,686,222</u>	\$	<u>3,384,459</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued charges	\$ 2,189,024	\$	1,167,160
Deferred revenue	1,140,929		515,889
Accrued interest on promissory notes	-		103,350
Current portion of obligations under capital leases	19,652		18,559
Current portion of long-term debt	49,286		49,286
	<u>3,398,891</u>		<u>1,854,244</u>
Obligations under capital leases	5,873		20,094
Long-term debt (note 5)	41,714		1,684,732
Redeemable preferred shares (note 6)	-		21,963,488
Shareholders' equity (deficiency)			
Share capital (note 7)	32,469,237		89
Warrants (note 7)	1,055,555		-
Contributed surplus (note 7)	33,060		-
Deficit	(25,318,108)		(22,138,188)
	<u>8,239,744</u>		<u>(22,138,099)</u>
	<u>\$ 11,686,222</u>	\$	<u>3,384,459</u>

See accompanying notes to unaudited financial statements.

# DATAKOM WIRELESS CORPORATION

Statements of Operations

(Unaudited)

Three and nine-month periods ended September 30, 2007 with comparative figures for 2006

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
Revenues	\$ 2,131,281	\$ 1,972,218	\$ 5,845,820	\$ 5,256,010
Cost of Sales	1,346,320	1,173,487	3,601,569	3,063,481
Gross margin	784,961	798,731	2,244,251	2,192,529
Expenses (Income)				
Research and development	327,602	230,216	872,458	652,110
Operation	207,064	157,910	540,340	412,508
Sales and marketing	504,101	391,045	1,250,648	1,033,173
General and administration	727,731	488,229	1,750,296	1,448,773
Research and development tax credits	(45,000)	(155,000)	(217,066)	(275,000)
Stock-based compensation	62,095	-	175,610	-
Depreciation and amortization	21,583	36,192	78,760	107,665
Amortization of intangible assets	10,000	-	10,000	-
Financial expenses	(88,370)	522,626	995,343	1,305,558
	1,726,806	1,671,218	5,456,389	4,684,787
Net loss and comprehensive income	\$ (941,845)	\$ (872,487)	\$ (3,212,138)	\$ (2,492,258)
Net earnings per share (note 7 c):				
Basic and diluted	\$ (0.03)	\$ (0.97)	\$ (0.26)	\$ (2.77)
Basic and diluted weighted average number of shares outstanding (note 7 c)	28,230,733	900,000	12,513,059	900,000

See accompanying notes to unaudited financial statements.

# DATAKOM WIRELESS CORPORATION

Statements of Deficit  
(Unaudited)

Three and nine-month periods ended September 30, 2007 with comparative figures for 2006

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
Deficit, beginning of period	\$ 24,376,263	\$ 20,383,220	\$ 22,138,188	\$ 18,763,449
Adjustment due to new accounting policies adopted regarding financial instruments (note 3)	-	-	(32,218)	-
	24,376,263	20,383,220	22,105,970	18,763,449
Net loss	941,845	872,487	3,212,138	2,492,258
Deficit, end of period	\$ 25,318,108	\$ 21,255,707	\$ 25,318,108	\$ 21,255,707

See accompanying notes to unaudited financial statements.

# DATAKOM WIRELESS CORPORATION

Statements of Cash Flows  
(Unaudited)

Three and nine-month periods ended September 30, 2007 with comparative figures for 2006

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net loss	\$ (941,844)	\$ (872,487)	\$ (3,212,138)	\$ (2,492,258)
Adjustments for:				
Amortization of fixed assets	21,583	36,192	78,760	107,665
Amortization of intangible assets	10,000	-	10,000	-
Amortization of deferred financing costs / Accretion expense	-	(3,144)	171,629	8,347
Imputed interest on redeemable preferred shares	-	445,000	737,973	1,195,141
Stock-based compensation	62,095	-	175,610	-
Net change in non-cash working capital	74,312	316,403	301,047	(408,784)
	(773,854)	(78,036)	(1,737,119)	(1,589,889)
Cash flows from financing activities:				
Proceeds from issuance of promissory notes	-	748,529	353,823	1,557,395
Repayment of long-term debt	(24,643)	-	(49,286)	-
Repayment of obligation under capital leases	(3,940)	(4,269)	(13,128)	(9,562)
Proceeds from issuance of common shares	-	-	10,000,000	-
Share issuance costs	(120,529)	-	(1,436,822)	-
	(149,112)	744,260	8,854,587	1,547,833
Cash flows from investing activities:				
Addition to fixed assets	(44,116)	(14,130)	(95,197)	(60,644)
Business acquisition (note 4)	(402,340)	-	(402,340)	-
	(446,456)	(14,130)	(497,537)	(60,644)
Net increase (decrease) in cash and cash equivalents	(1,369,422)	652,094	6,619,931	(102,700)
Cash and cash equivalents, beginning of period	8,639,767	308,064	650,414	1,062,858
Cash and cash equivalents, end of period	\$ 7,270,345	\$ 960,158	\$ 7,270,345	\$ 960,158
Cash paid during the year for:				
Interest on long-term debt	\$ 546	\$ 823	\$ 2,141	\$ 2,327

See accompanying notes to unaudited financial statements.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
(Unaudited)

Three and nine-month periods ended September 30, 2007 and 2006

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Datacom Wireless Corporation (the "Corporation") was incorporated under the Canada Business Corporations Act. The Corporation is a growing developer and provider of mission-critical vehicle fleet management and theft prevention solutions using wireless communications and satellite-based tracking technologies for both commercial and consumer markets. It provides real-time solutions, in such areas as vehicle and asset management and stolen vehicle recovery. All of its solutions incorporate its user-friendly feature-rich Web-based graphical and tabular data management software.

## **1. Basis of presentation:**

The accompanying unaudited interim financial statements of the Corporation have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a basis consistent with those followed in the most recent audited annual financial statements, except for recognition and measurement of financial instruments presented as per Section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement*, which required prospective applications. These unaudited interim financial statements do not include all the information and note disclosures required by Canadian GAAP for annual financial statements, and, therefore, should be read in conjunction with the December 31, 2006 audited financial statements and the notes thereto.

By nature, our industry is subject to seasonality influence. Historically, the first quarter of each year is the weakest and sales activity is more evenly spread over the remaining quarters.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
(Unaudited)

Three and nine-month periods ended September 30, 2007 and 2006

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## 2. Significant accounting policies:

The unaudited interim financial statements have been prepared in accordance with the accounting policies described in the Corporation's annual audited financial statements for the year ended December 31, 2006.

For further information, refer to the notes related with the audited financial statements of December 31, 2006.

### ***Significant accounting policies related to the new assets:***

Goodwill and intangible assets:

Goodwill is not amortized. Goodwill is tested for impairment annually for the Corporation's reporting unit or, more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of the reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate item in the income statement.

Intangible assets with definite useful lives, such as distribution network and technology, are amortized over their useful lives using the straight-line method over a five-year period.

# DATACOM WIRELESS CORPORATION

Notes to Financial Statements  
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### 3. Changes in accounting policies:

Effective at the beginning of its 2007 fiscal year, the Corporation has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which will be measured at amortized cost. Subsequent measurements and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in the net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires the Corporation to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged items are recorded at fair value in the balance sheet and the unrealized gains and losses from both items are included in earnings. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in earnings.

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of deficit or accumulated other comprehensive income, depending on the classification of existing assets or liabilities. As at January 1, 2007, the Corporation has decreased the opening balance of deficit by \$32,218 with respect to the financial liabilities.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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## 4. Business acquisition:

On August 31, 2007, the Corporation substantially acquired all assets and business operations of Vigil Locating Systems Corporation, a Canadian based company specialized in conception, development and commercialization of theft prevention and recovery solutions.

The total consideration for the acquisition amounted to \$402,340, including acquisition costs of \$127,340. The purchase price was funded through Corporation cash resources.

The acquisition has been accounted for using the purchase method and, accordingly, the results of operations have been included in the financial statements from the date of acquisition.

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Current assets:		
Accounts receivable	\$	62,000
Inventories		30,000
Fixed assets		16,000
Intangible assets <sup>(1) (2)</sup>		500,000
Goodwill <sup>(1)</sup>		817,840
<hr/>		
Total of assets		1,425,840
Current liabilities:		
Accrued charges		580,000
Deferred revenue		443,500
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Total of liabilities		1,023,500
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Net assets acquired	\$	402,340
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Cash consideration	\$	402,340

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(1): The evaluation of the fair value of the intangible assets has not yet been completed but will be during the next quarter. The preliminary and final fair market value of the various intangible assets will be added or deducted from the goodwill.

(2): The amortization on the intangible assets amounts to \$10,000 for the third quarter and the nine-month period ended September 30, 2007.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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Three and nine-month periods ended September 30, 2007 and 2006

## 5. Long-term debt:

	September 30, 2007	December 31, 2006
Promissory notes due to shareholders, secured by the universality of the assets, issued in April 2006 (\$812,985), August 2006 (\$748,529) and January 2007 (\$353,823), bearing interest at the rate of 12% compounded monthly, payable at each lender's option in Class C preferred shares at the rate of 1 Class C preferred share per \$0.2796 of interest or in cash. These promissory notes are repayable no later than April 2009, August 2009 and January 2010, respectively.	\$ - <sup>(1)</sup>	\$ 1,561,514
Term loan from Canada Economic Development, bearing no interest, payable in semi-annual payments of \$24,643 starting in October 2006 and maturing in April 2010	91,000 <sup>(2)</sup>	172,504
	91,000	1,734,018
Current portion of long-term debt	49,286	49,286
	\$ 41,714	\$ 1,684,732

(1): All amounts related to promissory notes issued during 2006 and January 2007, including all interest accrued and unpaid for an aggregate amount of \$2,117,514 (capital of \$1,915,337 and interest of \$202,177), were offset against the exercise price of the warrants.

(2): This amount represents the fair value of the loan, using an effective interest rate of 12%. The remaining balance payable as of September 30, 2007, as per the agreement, is \$123,218.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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## 6. Redeemable preferred shares:

All Class A, Class B and Class C preferred shares have been automatically converted into common shares immediately prior to the closing of the initial public offering ("IPO") as described in the effective corporate status at that date, with the following conversion rates:

- 1.0000 Class C preferred shares for 1 common share;
- 1.3499 Class B preferred shares for 1 common share; and
- 1.3499 Class A preferred shares for 1 common share.

The unpaid and cumulative dividend on the Class B preferred shares, which amounted to \$2,885,684 at the conversion date, has also been converted into 4,833,642 common shares.

	September 30, 2007	December 31, 2006
Issued:		
6,698,000 Class A preferred shares (including \$1,866,969 in 2006)	\$ -	\$ 7,264,887
10,050,872 Class B preferred shares (including \$2,523,124 in 2006)	-	10,623,123
12,804,014 Class C preferred shares (including \$495,474 in 2006)	-	4,075,478
	\$ -	\$ 21,963,488

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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## 7. Share capital:

(a) Issued and paid share capital:

Unlimited number of common shares with no par value.

In June 2007, the Corporation filed articles of amendment in order to cancel all authorized classes of shares other than common shares and consolidate all issued and outstanding common shares whereby three outstanding common shares were exchanged for one new common share.

	September 30, 2007	December 31, 2006
28,230,733 common shares (900,000 as at December 31, 2006)	\$ 32,469,237	\$ 89

The variation related to the issued share capital is summarized as follows:

	Number <sup>(1)</sup>	Amount
Issued and outstanding as at December 31, 2006	900,000	\$89
Conversion of Class A, B and C preferred shares, of the imputed interest, accrued and unpaid dividend on preferred shares	15,940,109	24,818,975
Share Issuance of IPO	11,111,112	10,000,000
Common share warrants (note 8)	Nil	(1,055,555)
Issuance of shares to the Chief Executive Officer <sup>(2)</sup>	279,512	142,550
Share issuance costs	Nil	(1,436,822)
Issued and outstanding as at September 30, 2007	28,230,733	\$ 32,469,237

(1): Taking into account the 3 for 1 consolidation

(2): Corporation granted an interest free loan to its Chief Executive Officer of \$251,561, enabling him to purchase 1% of the total number of common shares on Closing of the IPO.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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Three and nine-month periods ended September 30, 2007 and 2006

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## 7. Share capital (continued):

### (b) Stock option plan:

The Corporation has established a stock option plan (the "Plan") to provide long-term incentives to attract, motivate and retain its employees, directors, officers and consultants. The stock option plan set in 2005 was amended and restated in April 2007 to conform to applicable securities rules and practices for public companies.

The exercise price of options granted shall be determined at the date of the grant by the Board of Directors and shall not be less than the market price. The stock option plan is administered by the Board of Directors. The term of an option granted after April 2007 cannot exceed 10 years and will usually be vested over three years.

The exercise price of the options granted after the IPO will be the closing trading price of the Toronto Stock Exchange Venture ("TSX-V") the day prior to the grant date. Under the terms of the Plan, the Corporation may grant options of up to a maximum of 10% of the Corporation's issued common shares. The Board of Directors may determine, in accordance with the terms of the Plan, the terms relating to each option, including the number of shares subject to each option, exercise price and expiration date of each option and the extent to which each option is exercisable during the term of the option.

The following table summarizes the stock options outstanding as at September 30, 2007:

	Number	Weighted average exercise price
Balance at the beginning of the year	842,316	\$ 0.8388
Granted	655,257	0.8558
Cancelled	(21,333)	0.8388
Balance at the end of the period	1,476,240	\$ 0.8463

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
(Unaudited)

Three and nine-month periods ended September 30, 2007 and 2006

## 7. Share capital (continued):

The following table summarizes the stock options outstanding and exercisable as at September 30, 2007:

Options outstanding		Options currently exercisable	
Number	Weighted average remaining (years)	Weighted average exercise price	Number
1,476,240	8.5	\$ 0.8388	956,461

The weighted average fair value of each option granted was estimated using the Black-Scholes pricing model with the following assumptions:

Risk-free interest rate	4.22%
Expected volatility	85%
Expected life in years	7
Expected dividend yield	0.00%
Weighted average fair value of each Option at grant date	\$ 0.75

During the three-month period ended September 30, 2007, the Corporation recorded a stock-based compensation in the amount of \$62,095 (nil in 2006). From this amount, \$33,060 is recorded in the contributed surplus.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
(Unaudited)

Three and nine-month periods ended September 30, 2007 and 2006

## 7. Share capital (continued):

(c) Loss per share:

	Three-month period ended		Nine-month period ended	
	September 30		September 30	
	2007	2006	2007	2006
<b>Net loss</b>	<b>\$ (941,845)</b>	<b>\$ (872,487)</b>	<b>\$ (3,212,138)</b>	<b>\$ (2,492,258)</b>
Weighted average number of common shares outstanding	28,230,733	900,000	12,513,059	900,000
Dilutive effects <sup>(1)</sup> :				
Employees stock options	-	-	-	-
Warrants	-	-	-	-
Weighted average number of diluted common shares outstanding	28,230,733	900,000	12,513,059	900,000
Basic and diluted loss per share <sup>(1)</sup>	\$ 0.03	\$ 0.97	\$ 0.25	\$ 2.77

<sup>(1)</sup> The diluted loss per share is the same as the basic loss per share as the dilutive factors result in a decrease in the loss per share.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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Three and nine-month periods ended September 30, 2007 and 2006

## 8. Warrants:

### *Common shares*

Each unit issued at the IPO was comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.10 per share at any time for 24 months following the IPO, which is before June 6, 2009.

Number issued and value

	September 30 2007	December 31 2006
5 555 556 common share warrants (Nil as of December 31, 2006)	\$ 1,055,555	\$ -

The weighted average fair value of each warrant was estimated using the Black-Scholes pricing model with the following assumptions:

Risk-free interest rate	4.22%
Expected volatility	85%
Expected life in years	2
Expected dividend yield	0%
Exercise price	\$ 1.10
Weighted average fair value of each Warrants at issuance date	\$ 0.19

### *Class A preferred shares*

In 2003, the Corporation converted all prior issued warrants into 822,672 new warrants to acquire 822,672 Class A preferred shares at an exercise price of \$1.27 per share no later than March 26, 2008.

After giving effect to the Consolidation, the unexercised Class A preferred share purchase warrants were adjusted so that there are 822,672 warrants outstanding, each entitling the holder to acquire 0.45 of one Common Share at an exercise price of \$1.27, which warrants shall expire on March 26, 2008.

As at September 30, 2007, 822,672 warrants were still outstanding.

# DATAKOM WIRELESS CORPORATION

Notes to Financial Statements  
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Three and nine-month periods ended September 30, 2007 and 2006

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## 8. Warrants (continued):

### *Class C preferred shares*

In 2006, the Corporation issued to the promissory note holders a total of 11,169,625 Class C preferred share warrants granting them the right to purchase, no later than during August 2011, 11,169,625 of these shares at a strike price of \$0.2796 per share.

Immediately prior to the IPO closing, 7,573,368 share warrants to acquire 7,573,368 Class C preferred shares were exercised at a price of \$0.2796 per share for a total of \$2,117,514.

As at that date, the non-exercised balance of the share warrants to acquire 6,127,179 Class C preferred shares was cancelled. All the amounts due on the promissory notes, issued to the shareholders during 2006 and January 2007 and backed by assets, including all the non-paid accrued interest of \$2,117,514 (\$1,915,337 of capital and \$202,177 of interest), were applied against the exercise price of the warrants.

As per their terms and conditions, all the redeemable preferred Class C share warrants not exercised at the time of the IPO, became null and void. As a result, as at September 30, 2007, none of the warrants were outstanding.