



Financial Statements of

DATACOM WIRELESS CORPORATION

Years ended December 31, 2007 and 2006



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AUDITORS' REPORT

To the Shareholders of
Datacom Wireless Corporation

We have audited the balance sheets of Datacom Wireless Corporation (the "Corporation") as at December 31, 2007 and 2006 and the statements of operations and comprehensive loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montreal, Canada

March 6, 2008

DATAKOM WIRELESS CORPORATION

Financial Statements

Years ended December 31, 2007 and 2006

Financial Statements

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DATAKOM WIRELESS CORPORATION

Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,120,533	\$ 650,414
Accounts receivable (note 3)	1,054,470	1,163,331
Research and development tax credits receivable	750,000	660,000
Current portion of net investment in sales-type leases (note 4)	96,305	1,512
Inventories	792,888	328,059
Prepaid expenses and deposits	171,765	183,171
	<u>8,985,961</u>	<u>2,986,487</u>
Net investment in sales-type leases (note 4)	50,515	–
Fixed assets (note 5)	247,256	226,343
Intangible assets (note 6)	627,200	–
Goodwill (note 2)	603,909	–
Deferred financing costs, net of amortization	–	171,629
	<u>\$ 10,514,841</u>	<u>\$ 3,384,459</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,211,676	\$ 1,167,160
Deferred revenue	1,060,070	515,889
Accrued interest on promissory notes	–	103,350
Current portion of obligations under capital leases (note 7)	38,639	18,559
Current portion of long-term debt (note 8)	37,935	49,286
	<u>3,348,320</u>	<u>1,854,244</u>
Obligations under capital leases (note 7)	13,352	20,094
Long-term debt (note 8)	65,871	1,684,732
Redeemable preferred shares (note 9)	–	21,963,488
Shareholders' equity:		
Share capital (note 10)	31,413,681	89
Warrants (note 11)	2,111,111	–
Contributed surplus (note 10)	58,360	–
Deficit	(26,495,854)	(22,138,188)
	<u>7,087,298</u>	<u>(22,138,099)</u>
Commitments and guarantees (note 14)		
	<u>\$ 10,514,841</u>	<u>\$ 3,384,459</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DATAKOM WIRELESS CORPORATION

Statements of Operations and Comprehensive Loss

Years ended December 31, 2007 and 2006

	2007	2006
Revenues	\$ 7,891,263	\$ 7,249,867
Cost of sales	4,899,727	4,273,884
Gross margin	2,991,536	2,975,983
Expenses:		
General and administration	2,494,976	1,716,197
Sales and marketing	1,769,304	1,490,212
Operations	774,810	709,068
Research and development	1,241,833	1,059,959
Research and development tax credits	(347,066)	(753,847)
Depreciation and amortization	137,448	140,565
Financial expenses (note 12)	954,790	1,988,568
Stock-based compensation	200,911	—
Inventories write-off	109,614	—
Amortization of intangible assets	44,800	—
	7,381,420	6,350,722
Net loss and comprehensive loss	\$(4,389,884)	\$(3,374,739)
Basic and diluted loss per share (note 10)	\$ (0.27)	\$ (3.75)

See accompanying notes to financial statements.

DATAKOM WIRELESS CORPORATION

Statements of Deficit

Years ended December 31, 2007 and 2006

	2007	2006
Deficit, beginning of year	\$ 22,138,188	\$ 18,763,449
Adjustment resulting from a change in accounting policies (note 1 (a))	(32,218)	—
	22,105,970	18,763,449
Net loss	4,389,884	3,374,739
Deficit, end of year	\$ 26,495,854	\$ 22,138,188

See accompanying notes to financial statements.

DATACOM WIRELESS CORPORATION

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Net loss	\$(4,389,884)	\$(3,374,739)
Adjustments for:		
Amortization on fixed assets	137,448	140,565
Amortization on intangible assets	44,800	–
Amortization of deferred financing costs (note 12)	–	81,927
Loss on conversion of preferred shares into common shares (note 12)	171,629	–
Imputed interest on redeemable preferred shares (note 12)	737,972	1,674,586
Interest on promissory notes converted into common shares	98,828	–
Capitalized interest on long-term debt	12,805	–
Stock-based compensation	200,911	–
Net change in non-cash working capital (note 16)	135,085	(250,730)
	(2,850,406)	(1,728,391)
Cash flows from financing activities:		
Proceeds from issuance of promissory notes	353,823	1,561,514
Repayment of long-term debt	(49,286)	(28,762)
Repayment of obligation under capital leases	(24,661)	(14,315)
Proceeds from issuance of common shares	10,000,000	–
Share issuance costs	(1,436,822)	–
Deferred financing costs	–	(65,513)
	8,843,054	1,452,924
Cash flows from investing activities:		
Additions to fixed assets	(110,120)	(136,977)
Business acquisition (note 2)	(412,409)	–
	(522,529)	(136,977)
Net increase (decrease) in cash and cash equivalents	5,470,119	(412,444)
Cash and cash equivalents, beginning of year	650,414	1,062,858
Cash and cash equivalents, end of year	\$ 6,120,533	\$ 650,414

See accompanying notes to financial statements.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements

Years ended December 31, 2007 and 2006

Datacom Wireless Corporation (the "Corporation") was incorporated under the Canada Business Corporations Act. The Corporation is a telematic service provider that supplies strategic-data acquisition, transmission, organization, distribution and integration services for various business sectors, especially in the sectors of transportation, industrial inventory management and public utility services.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Changes in accounting policies:

Effective at the beginning of its 2007 fiscal year, the Corporation has adopted the recommendations of 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*.

Handbook Section 1530 establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. New statements of comprehensive income are included in the financial statements.

Handbook Section 3251 establishes standards for the presentation of equity and change in equity during the reporting period and requires the Corporation to present separately equity components and changes in equity arising from (i) net earnings; (ii) other comprehensive income; (iii) other changes in retained earnings; (iv) changes in contributed surplus; and (v) changes in share capital. New statements of changes in shareholders' equity are included in the financial statements.

Handbook Sections 3855, 3861 and 3865 provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(a) Changes in accounting policies (continued):

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, held-to-maturity investments 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.

As a result of the adoption of these standards, the Corporation has classified cash equivalents as held-for-trading assets, accounts receivable as loans and receivables, and accounts payable and accrued charges, long-term debt and redeemable preferred shares as other financial liabilities.

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, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid short-term investments that are readily convertible to known amounts of cash and generally have maturities within three months from their date of purchase. In 2007, the Corporation had term deposits amounting to \$50,000 with an average effective interest rate of 2.8% (2006 - nil).

(c) Inventories:

Inventories consist of raw materials and are carried at the lower of cost and net recoverable value. Cost is determined on an average cost basis.

(d) Fixed assets:

Fixed assets are recorded at cost. Assets under capital lease are stated at the present value of minimum lease payments. Amortization of fixed assets is provided over their estimated useful lives in accordance with the following methods and annual rates or terms:

Asset	Method	Rate/term
Office equipment	Declining balance	20%
Computer equipment and software	Straight-line	2 years
Leasehold improvements	Straight-line	Term of the lease
Vehicle	Straight-line	3 years
Website	Straight-line	2 years

(e) Impairment of long-lived assets:

Long-lived assets, which include fixed assets and intangible assets with definite useful lives, are reviewed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is generally measured by the comparison of the carrying amount of an asset or a group of assets to undiscounted net cash flows expected to be generated by that asset or group of assets. If it is determined that the carrying amount of an asset or group of assets may not be recoverable, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(f) 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 customer-contracts and the related customer relationship, distribution network and technology, are amortized over their useful lives using the straight-line method over a five-year period.

(g) Revenue recognition:

The Corporation derives revenue from the sale of products and service contracts. Revenue from products is recognized at the point in time when persuasive evidence of an arrangement exists, the price is fixed, final delivery has occurred, and there is reasonable assurance of collection of the sale proceeds. If, after delivery of the product, there remain significant obligations to be fulfilled by the Corporation, then no revenue is recognized until those obligations are fulfilled or become insignificant. Revenue from service contracts is deferred and amortized over the life of each contract. An estimated provision for warranty costs associated with these revenues is provided for at the time of recognition of related revenue.

Finance income related to the sales-type lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

When more than one product or service is provided to a customer under one arrangement, the Corporation allocates revenue to each element of the arrangement based on the relative fair value of the elements. For arrangements with multiple elements, revenue is allocated to each element of a transaction based upon its fair value. The objective and reliable evidence of fair value for all elements of an arrangement is based upon the normal pricing practice for the products and services when sold separately.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments issued by the Corporation are classified in accordance with the substance of the contractual arrangement on initial recognition based on the definitions of a financial liability and an equity instrument.

The Class A, Class B and Class C preferred shares are classified as liabilities because they have terms and conditions that meet the definition of a financial liability. The cumulative return of 8% per quarter relating to these preferred shares is also recognized as a liability and a financial charge in the statement of operations.

(i) Research and development:

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet specific criteria for deferral and amortization. The development costs will then be deferred to the extent that their recovery can reasonably be regarded as assured. No such development costs met the specific criteria for deferral as at December 31, 2007.

(j) Tax credits:

Tax credits relating to research and development are accounted for using the cost reduction method. Under this method, tax credits related to eligible expenses are accounted for as reduction of the related costs in the year the expenses are incurred as long as there is reasonable assurance of their realization.

(k) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Items pertaining to the statement of operations are translated at the average rates of exchange prevailing during the year. Gains or losses are charged to current operations.

(l) Income taxes:

The Corporation applies the asset and liability method to account for income taxes. Future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment or substantively enacted date. Future income tax assets are recognized and, if realization is not considered "more likely than not", a valuation allowance is provided.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(m) Stock-based compensation and other stock-based payments:

The Corporation has a stock-based compensation plan which is described in note 10 (g). The Corporation accounts for all stock options awards under the fair value method. Under the fair value based method, compensation cost is measured at fair value at date of grant and expensed over the award's vesting period with a corresponding credit to contributed surplus. Any consideration received from the plan participants upon exercise of stock options is credited to share capital, together with the related portion previously recorded to contributed surplus.

(n) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant management estimates and assumptions have been made in assessing the fair value of acquired assets and assumed liabilities regarding business acquisition, assessing estimating the useful lives of fixed assets and intangible assets, estimating the provision for warranty costs, assessing the implied fair value of goodwill regarding impairment test, assessing the recoverability of future income taxes, research and development tax credits and the fair value of the redeemable preferred shares. Receipt of the research and development tax credits is dependent on the taxation authorities' review and acceptance of the eligibility of expenditures. Actual results could differ from these estimates.

(o) Loss per share:

Loss per share is computed by dividing net earnings by the weighted average shares outstanding during the year. Diluted loss per share is computed similarly to basic earnings per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises, including unrecognized compensation costs of stock-based compensation, were used to acquire shares of common stock at the average market price during the period.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(p) Accounting policies and standards to be adopted in the future:

The CICA has issued CICA Handbook Section 3862, *Financial Instruments - Disclosures* ("HB-3862"), and Section 3863, *Financial Instruments - Presentation* ("HB-3863"). These new standards establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments and non-financial derivatives. These new standards supersede Handbook Section 3861. These new standards relate to disclosure only and will not impact the financial results of the Corporation. Both sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation will adopt these standards on January 1, 2008.

The CICA has issued CICA Handbook Section 1535, *Capital Disclosures* ("HB-1535"). This standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This new standard relates to disclosure only and will not impact the financial results of the Corporation. The Corporation will adopt this standard on January 1, 2008.

In June 2007, the CICA issued Section 3031, *Inventories*, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Corporation has not yet determined what the impact of adopting this standard will have on its financial statements.

In February 2008, the CICA released Handbook Section 3064, *Goodwill and Intangible Assets*, and amended Section 1000, *Financial Statement Concepts*, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, and early adoption is permitted. The Corporation is currently assessing the impact of the new recommendations on its financial statements.

On February 13, 2008, the Company Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required in 2011 for publicly accountable profit-oriented enterprises. The Corporation will closely monitor changes arising from this transaction to IFRS.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

2. 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 \$412,409, including acquisition costs of \$137,409. The purchase price was funded through the Corporation's 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.

The fair value of acquired assets and assumed liabilities at the acquisition date were the following:

Current assets:	
Accounts receivable	\$ 62,000
Inventories	30,000
Fixed assets	16,000
Intangible assets	672,000
Goodwill	603,909
<hr/>	
Total of assets	1,383,909
Current liabilities:	
Accounts payable and accrued liabilities	580,000
Deferred revenue	391,500
<hr/>	
Total of liabilities	971,500
<hr/>	
Net assets acquired	\$ 412,409
<hr/>	
Cash consideration	\$ 412,409

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

3. Accounts receivable:

	2007	2006
Trade receivables	\$ 943,718	\$ 1,105,946
Other	110,752	57,385
	<u>\$ 1,054,470</u>	<u>\$ 1,163,331</u>

4. Net investment in sales-type leases:

The Corporation's net investment in sales-type leases includes the following:

	2007	2006
Total minimum sales-type lease payments receivable	\$ 151,036	\$ 1,950
Less: unearned revenue	4,216	438
	<u>146,820</u>	<u>1,512</u>
Current portion of net investment in sales-type leases	96,305	1,512
	<u>\$ 50,515</u>	<u>\$ -</u>

Future minimum lease payments receivable under the sales-type leases are as follows:

2008	\$ 98,613
2009	49,049
2010	3,374
	<u>\$ 151,036</u>

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

5. Fixed assets:

	2007		
	Cost	Accumulated depreciation and amortization	Net book value
Office equipment	\$ 298,559	\$ 186,348	\$ 112,211
Computer equipment and software	600,334	519,519	80,815
Leasehold improvements	358,994	340,926	18,068
Vehicle	49,800	49,371	429
Website	48,099	12,366	35,733
	<u>\$ 1,355,786</u>	<u>\$ 1,108,530</u>	<u>\$ 247,256</u>

	2006		
	Cost	Accumulated depreciation and amortization	Net book value
Office equipment	\$ 289,378	\$ 160,193	\$ 129,185
Computer equipment and software	499,255	450,852	48,403
Leasehold improvements	358,994	323,888	35,106
Vehicle	49,800	36,151	13,649
	<u>\$ 1,197,427</u>	<u>\$ 971,084</u>	<u>\$ 226,343</u>

Office equipment and computer equipment and software include property under capital leases with a cost of \$90,953 (2006 - \$60,754) and an accumulated depreciation of \$44,156 (2006 - \$26,811). A depreciation of \$17,345 (2006 - \$8,486) related to property under capital leases is included in the caption "amortization and depreciation" in the statement of operations.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

6. Intangible assets:

	Cost (2007 acquisition)	Accumulated amortization	Net book value
Customer-contracts and the related customer relationship	\$ 356,000	\$ 23,733	\$ 332,267
Distribution network	195,000	13,000	182,000
Unpatented technology	121,000	8,067	112,933
	\$ 672,000	\$ 44,800	\$ 627,200

7. Obligations under capital leases:

	2007	2006
2007	\$ —	\$ 20,857
2008	40,498	19,766
2009	13,822	—
Total minimum lease payments	54,320	40,623
Less amount representing interest at 8.6%	2,329	1,970
Present value of minimum capital lease payments	51,991	38,653
Current portion of obligations under capital leases	38,639	18,559
	\$ 13,352	\$ 20,094

Interest of \$3,107 (2006 - \$4,921) relating to capital lease obligations is included in "financial expenses" in the statement of operations.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

8. Long-term debt:

	2007	2006
Promissory notes due to shareholders, secured by the universality of the assets, issued in April 2006 (\$812,985) and August 2006 (\$748,529), 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 ⁽¹⁾	\$ -	\$ 1,561,514
Term loan from Canada Economic Development, bearing no interest, payable in semi-annual payments of \$24,643 starting in October 2006, maturing in April 2010 ⁽²⁾	103,806	172,504
	103,806	1,734,018
Current portion of long-term debt	37,935	49,286
	\$ 65,871	\$ 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 Class C redeemable preferred share warrants.

⁽²⁾ This amount represents the fair value of the loan at inception, using an effective interest rate of 12%. The remaining balance payable as of December 31, 2007, as per the agreement, is \$123,218 (2006 - \$172,504).

Principal repayments on long-term debt in each of the next three years are as follows:

2008	\$ 37,935
2009	42,623
2010	23,248
	\$ 103,806

9. Redeemable preferred shares:

Class A preferred shares are voting and participating, entitled to a dividend, ratably with the Class C preferred shares and the common shares on any dividends declared up to a maximum per share amount equal to a Class B preferred share dividend.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

9. Redeemable preferred shares (continued):

Class B preferred shares are voting and participating, priority to Class A shares, entitled to a cumulative and preferential dividend of 8%, compounded quarterly.

Class C preferred shares are voting and participating, priority to Class B and Class A preferred shares, entitled to a dividend, ratably with the Class A preferred shares and the common shares on any dividends declared up to a maximum per share amount equal to a Class B preferred share dividend.

All Classes A, B and 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:

1.3499 common share for 1 Class A preferred share;

1.3499 common share for 1 Class B preferred share; and

1.0000 common share for 1 Class C preferred 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.

	2007	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 \$2,523,127 in 2006)	-	10,623,123
12,804,014 Class C preferred shares (including \$495,478 in 2006)	-	4,075,478
	\$ -	\$ 21,963,488

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

10. 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.

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

	Number ⁽¹⁾	Amount
Issued and outstanding as at December 31, 2006	900,000	\$ 89
Conversion of Classes A, B and C preferred shares, imputed interest and accrued and unpaid dividend on preferred shares (d)	15,940,109	24,818,974
Share issuance of IPO (e)	11,111,112	10,000,000
Share issuance costs (d)	–	(1,436,822)
Common share warrants (note 11)	–	(2,111,111)
Issuance of shares to the chief executive officer (f)	279,512	142,551
Issued and outstanding as at December 31, 2007	28,230,733	\$ 31,413,681

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

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

10. Share capital (continued):

(c) Loss per share:

	2007	2006
Net loss	\$(4,389,884)	\$(3,374,739)
Weighted average number of common shares outstanding	16,474,774	900,000
Weighted average number of diluted common shares outstanding	16,474,774	900,000
Basic and diluted ⁽¹⁾ loss per share	\$ (0.27)	\$ (3.75)

⁽¹⁾ The diluted loss per share is the same as the basic loss per share as the dilutive effects of stock options and warrants would result in a decrease in the loss per share.

(d) Conversion of the Classes A, B and C preferred shares, the imputed interest and the cumulated and unpaid dividend on preferred shares:

	Number	Conversion rate	Common shares
Class A preferred shares	6,698,000	1.3499	9,041,630
Class B preferred shares	10,050,872	1.3499	13,567,672
Class C preferred shares	20,377,382	1.0000	20,377,382
Unpaid cumulated dividend on Class B preferred shares	-	-	4,833,642
			47,820,326
3 for 1 shares consolidation			15,940,109

(e) Share issuance during initial public offering:

As part of a prospectus dated May 29, 2007 relative to an initial public offering ("IPO"), the entity issued 11,111,112 units composed of one common share and one half of a warrant at a cost of \$0.90 per unit or \$10,000,000 (less share issuance costs of \$1,436,822).

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

10. Share capital (continued):

(f) Issuance of shares to the chief executive officer:

On the IPO closing day, June 6, 2007, the Corporation consented a \$251,561 interest-free loan due June 6, 2012 to its chief executive officer for the acquisition of 1% of the total amount of common shares. This loan is guaranteed by issued shares having a fair value of \$75,468 as at December 31, 2007. The amount of \$142,551 represents the stock-based compensation expense and was determined as if the Corporation had granted stock options to its chief executive officer.

(g) Stock option plan:

On April 18, 2007, the Corporation adopted a revised stock option plan (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the Board of Directors may allocate non-transferable options to acquire common shares to directors, officers, employees and consultants of the Corporation. Options granted pursuant to the Stock Option Plan vest over a three-year period and are for a maximum term of 10 years, subject to earlier termination in certain events. Options granted pursuant to the Stock Option Plan after the closing of the Offering will not be lower than the closing price of the common shares on the TSX Venture Exchange on the trading day prior to the date of grant. Pursuant to the Stock Option Plan, the number of options granted may not exceed 10% of the total number of issued and outstanding common shares at the time of grant. No grantee under the Stock Option Plan may receive options entitling the grantee to purchase more than 5% (2% for consultants) of the aggregate outstanding common shares for a period of 12 months. In the event the holder of options granted under the Stock Option Plan ceases to be a director, officer, employee or consultant, then the options granted must be exercised within 90 days following the cessation of the holder's position with the Corporation.

During the year, the entity incurred a salary expense of \$200,911 (2006 - nil) related to its stock option plan. The contributed surplus was therefore adjusted for the same amount. Due to the exercise of the options, an amount of \$142,551 was recorded as a reduction to contributed surplus (2006 - nil).

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

10. Share capital (continued):

(g) Stock option plan (continued):

The following table summarizes the stock option activity under the Plan:

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of year ⁽¹⁾	842,316	\$ 0.8388	876,650	\$ 0.8388
Granted	1,083,786	0.8040	12,000	0.8388
Exercised	(279,512)	0.9000	–	–
Cancelled	(39,998)	0.8246	(46,334)	0.8388
Balance, end of year	1,606,592	\$ 0.8050	842,316	\$ 0.8388

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

The following table summarizes the stock options outstanding and exercisable as at December 31, 2007:

Options outstanding			Options currently exercisable	
Weighted average exercise price	Number	Weighted average remaining (years)	Weighted average exercise price	Number
\$ 0.8050	1,606,592	8.66	\$ 0.8388	1,034,897

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

10. Share capital (continued):

(g) Stock option plan (continued):

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

	2007	2006
Risk-free interest rate	4.22%	4.38%
Expected volatility	85.00%	—
Expected life in years	7	5
Expected dividend yield	—	—

The following table summarizes the weighted average grant-date fair value per share for options granted:

	2007	2006
Number of options granted	1,083,786	36,000
Weighted average fair value for each option	\$ 0.32	\$ —

11. 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:

	2007	2006
5,555,556 common share warrants (2006 - none)	\$ 2,111,111	\$ —

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

11. Warrants (continued):

Common shares (continued):

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	85.00%
Expected life in years	2
Expected dividend yield	—
Exercise price per warrant	\$ 1.10
Weighted average fair value of each warrant at issuance date	\$ 0.38

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 were 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 December 31, 2007, 822,672 warrants were still outstanding.

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 7,753,368 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 secured by all assets, including all unpaid accrued interest for a total amount 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 December 31, 2007, none of the warrants were outstanding.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

12. Financial expenses, net:

	2007	2006
Imputed interest on redeemable preferred shares	\$ 737,972	\$ 1,674,586
Interest on promissory notes	98,828	103,350
Interest, credit cards and bank charges	94,667	66,766
Interest on long-term debt and on obligations under capital lease	15,376	4,921
Amortization of deferred financing fees	—	81,927
Loss on conversion of redeemable preferred shares into common shares	171,629	—
Interest revenue	(191,016)	(42,349)
Foreign exchange loss (gain)	9,443	(49,496)
Other financing costs ⁽¹⁾	17,891	148,863
	\$ 954,790	\$ 1,988,568

⁽¹⁾ In 2006, these other financing costs were incurred to evaluate and consider various alternatives to raise new funds for the Corporation.

13. Income taxes:

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income. As at December 31, 2007, the Corporation recorded a valuation allowance against all of its future tax assets for an amount of approximately \$6,776,000 (2006 - \$6,475,000).

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

13. Income taxes (continued):

The tax effects of the components of temporary differences that give rise to future income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets:		
Non-capital loss carryforwards and pool of deductible scientific research and development expenditures	\$ 5,297,000	\$ 6,183,000
Capital assets	303,000	292,000
Financing costs	341,000	-
Valuation allowance	(5,927,000)	(6,475,000)
	14,000	-
Future income tax liabilities:		
Intangible assets and deductible goodwill	(9,000)	-
Long-term debt	(5,000)	-
	(14,000)	-
Future income taxes	\$ -	\$ -

The reconciliation of income taxes calculated at the statutory rate to the actual provision is as follows:

	2007	2006
Net loss before income taxes	\$(4,389,884)	\$(3,374,739)
Income taxes based on combined federal and provincial income taxes of 32% (2006 - 34%)	\$(1,404,763)	\$(1,147,411)
Increase resulting from:		
Current year tax losses and research and development expenses not recognized	1,049,398	578,052
Non-deductible interest on redeemable preferred shares	236,151	569,359
Loss on conversion of redeemable preferred shares into common shares	54,922	-
Stock-based compensation	64,292	-
	1,404,763	1,147,411
Income taxes	\$ -	\$ -

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

13. Income taxes (continued):

The Corporation has accumulated tax losses and research and development expenditures available to reduce future years' taxable income. The Corporation has also accumulated research and development tax credits available to reduce future years' income taxes payable. The tax benefit of the loss carryforwards and research and development expenditures will be recognized when it will be more likely than not that they will be realized. Tax credits will be recognized when there will be reasonable assurance that they will be realized. These losses, credits and expenditures expire as follows:

	Non-capital losses		Research and development tax credits	Research and development expenditures	
	Federal	Provincial	Federal	Federal	Provincial
2008	\$ 2,664,000	\$ 2,911,000	\$ 6,500	\$ —	\$ —
2009	3,391,000	3,750,000	4,800	—	—
2010	—	—	8,500	—	—
2013	3,388,000	3,388,000	—	—	—
2014	2,992,000	2,992,000	3,180	—	—
2025	1,304,000	1,304,000	—	—	—
2026	2,619,000	2,619,000	—	—	—
Indefinitely	—	—	—	2,279,000	3,278,000
Tax benefits available in future years	\$ 16,358,000	\$ 16,964,000	\$ 22,980	\$ 2,279,000	\$ 3,278,000

14. Commitments and guarantees:

(a) Operating leases:

As at December 31, 2007, the Corporation has entered into operating lease agreements for its premises and other obligations. Minimum lease payments required over the next four years are as follows:

2008	\$ 242,867
2009	237,811
2010	225,940
2011	24,751
	\$ 731,369

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

14. Commitments and guarantees (continued):

(b) Guarantees:

As part of the lease agreement for its premises, the Corporation has provided a movable hypothec of \$123,341 to guarantee the payment of obligations in favor of their landlord until November 30, 2010.

15. Financial instruments:

(a) Fair value:

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying value given that they mature in the near future.

The fair value of the net investment in sales-type leases and the obligations under capital leases approximates its carrying value because interest is based on market-related fixed rates.

In 2006, it has been established that the fair value of the promissory notes approximates their carrying value because of their short maturity after the IPO.

The fair value of the term loan is \$105,628 as at December 31, 2007 (2006 - \$140,286) compared to a carrying value of \$123,218 (2006 - \$172,504).

As at December 31, 2006, the fair value and the carrying value of the Classes A, B and C preferred shares were \$4,155,000, \$7,264,887 and \$8,100,000, and \$10,623,123, \$3,580,000 and \$4,075,478, respectively.

The fair values of the Classes A, B and C preferred shares were calculated based on the assumption that there is no IPO or no liquidity event, as defined in the "Shareholders Agreement".

(b) Credit risk and concentration of credit risk:

In the normal course of business, the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the creditworthiness of all new customers. The Corporation determines an allowance for doubtful accounts to reflect specific customer risk.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2007 and 2006

16. Supplemental disclosure of cash flow information:

	2007	2006
Net changes in non-cash working capital:		
Accounts receivable	\$ 170,861	\$ (112,800)
Inventories	(434,829)	86,543
Research and development tax credits receivable	(90,000)	(220,000)
Prepaid expenses and deposits	19,206	(63,460)
Accounts payable and accrued liabilities	462,474	(129,049)
Deferred revenue	152,681	76,612
Net investment in sales-type leases, including long-term portion	(145,308)	8,074
Accrued interest on promissory notes	–	103,350
	<u>\$ 135,085</u>	<u>\$ (250,730)</u>
Cash paid during the year for:		
Interest on long-term debt	\$ 15,376	\$ 4,921
Non-cash investing activities:		
Purchase of fixed assets financed by accounts payable and accrued liabilities	\$ 5,415	\$ 3,373
Purchase of fixed assets financed by capital leases	30,199	–
Non-cash financing activities:		
Conversion of promissory notes into Class C redeemable preferred shares	1,915,337	–
Conversion of interest unpaid on promissory notes into Class C redeemable preferred shares	202,177	–
Conversion of Class C redeemable preferred shares into common shares	24,616,797	–

17. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.