



Financial Statements of

DATACOM WIRELESS CORPORATION

Years ended December 31, 2008 and 2007



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Datacom Wireless Corporation (the "Corporation") as at December 31, 2008 and 2007 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montreal, Canada

March 25, 2009

DATAKOM WIRELESS CORPORATION

Financial Statements

Years ended December 31, 2008 and 2007

Financial Statements

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DATACOM WIRELESS CORPORATION

Balance Sheets

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,406,238	\$ 6,120,533
Accounts receivable (note 3)	1,307,002	1,054,470
Research and development tax credits receivable	986,072	750,000
Current portion of net investment in sales-type leases (note 4)	226,748	96,305
Inventories	541,092	792,888
Prepaid expenses and deposits	114,260	171,765
	5,581,412	8,985,961
Net investment in sales-type leases (note 4)	254,086	50,515
Fixed assets (note 5)	211,334	247,256
Intangible assets (notes 6 and 12)	59,200	627,200
Goodwill (notes 2 and 12)	-	603,909
	\$ 6,106,032	\$ 10,514,841
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,695,776	\$ 2,211,676
Deferred revenue	386,083	1,060,070
Current portion of obligations under capital leases (note 7)	13,716	38,639
Current portion of long-term debt (note 8)	42,623	37,935
	2,138,198	3,348,320
Obligations under capital leases (note 7)	-	13,352
Long-term debt (note 8)	61,055	65,871
Shareholders' equity:		
Share capital (note 9)	31,350,346	31,413,681
Warrants (note 10)	2,111,111	2,111,111
Contributed surplus (note 9)	153,997	58,360
Deficit	(29,708,675)	(26,495,854)
	3,906,779	7,087,298
Commitments (note 14)		
	\$ 6,106,032	\$ 10,514,841

See accompanying notes to financial statements.

On behalf of the Board:

(S) Pierre Bélanger Director

(s) Greg Rokos Director

DATAKOM WIRELESS CORPORATION

Statements of Operations and Comprehensive Loss

Years ended December 31, 2008 and 2007

	2008	2007
Revenues	\$ 9,388,118	\$ 7,891,263
Cost of sales	5,081,903	4,899,727
Gross margin	4,306,215	2,991,536
Expenses:		
General and administration	2,375,310	2,494,976
Sales and marketing	2,153,980	1,769,304
Operations	913,518	774,810
Research and development	1,181,471	1,241,833
Research and development tax credits	(541,563)	(347,066)
Depreciation and amortization	129,753	137,448
Financial (revenues) expenses (note 11)	(99,480)	954,790
Stock-based compensation	32,302	200,911
Write-off of inventories	—	109,614
Unusual items (note 12)	687,836	—
Write-off of goodwill (note 12)	603,909	—
Amortization of intangible assets	82,000	44,800
	7,519,036	7,381,420
Net loss and comprehensive loss	\$(3,212,821)	\$(4,389,884)
Basic and diluted loss per share (note 9)	\$ (0.11)	\$ (0.27)

See accompanying notes to financial statements.

DATAKOM WIRELESS CORPORATION

Statements of Deficit

Years ended December 31, 2008 and 2007

	2008	2007
Deficit, beginning of year	\$ 26,495,854	\$ 22,138,188
Adjustment resulting from a change in accounting policies (note 1 (a))	—	(32,218)
	26,495,854	22,105,970
Net loss	3,212,821	4,389,884
Deficit, end of year	\$ 29,708,675	\$ 26,495,854

See accompanying notes to financial statements.

DATAKOM WIRELESS CORPORATION

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net loss	\$(3,212,821)	\$ (4,389,884)
Adjustments for:		
Amortization on fixed assets	129,753	137,448
Amortization and write-down on intangible assets	568,000	44,800
Loss on conversion of redeemable preferred shares into common shares	—	171,629
Imputed interest on redeemable preferred shares	—	737,972
Interest on promissory notes converted into common shares	—	98,828
Capitalized interest on long-term debt	11,351	12,805
Stock-based compensation	32,302	200,911
Write-off of goodwill	603,909	—
Contract termination costs	37,807	—
Net change in non-cash items related to operations (note 16)	(1,720,417)	135,085
	(3,550,116)	(2,850,406)
Cash flows from financing activities:		
Proceeds from issuance of promissory notes	—	353,823
Repayment of long-term debt	(49,286)	(49,286)
Repayment of obligation under capital leases	(38,275)	(24,661)
Proceeds from issuance of common shares	—	10,000,000
Share issuance costs	—	(1,436,822)
	(87,561)	8,843,054
Cash flows from investing activities:		
Additions to fixed assets	(76,618)	(110,120)
Business acquisition (note 2)	—	(412,409)
	(76,618)	(522,529)
Net (decrease) increase in cash and cash equivalents	(3,714,295)	5,470,119
Cash and cash equivalents, beginning of year	6,120,533	650,414
Cash and cash equivalents, end of year	\$ 2,406,238	\$ 6,120,533

Supplemental disclosure of cash flow information (note 16)

See accompanying notes to financial statements.

DATACOM WIRELESS CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

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 2008 fiscal year, the Corporation has adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, *Financial Instruments - Disclosures*, Section 3863, *Financial Instruments - Presentation*, Section 1535, *Capital Disclosures* and Section 3031, *Inventories*.

Section 3862, *Financial Instruments - Disclosures*, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, *Financial Instruments - Presentation*, replaced Section 3861, *Financial Instruments - Disclosure and Presentation*.

Section 3863, *Financial Instruments - Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives.

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequence of such non-compliance.

Section 3031, *Inventories*, requires to provide more details regarding the determination and recognition of inventories as well as information to disclose. The adoption of this new standard had no significant impact on the Corporation's financial statements.

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

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(a) Changes in accounting policies (continued):

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.

These new standards have been applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities have been 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.

(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 2008, the Corporation had term deposits amounting to \$1,500,000 (2007 - \$50,000) with an average effective interest rate of 3% (2007 - 2.8%).

(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 without exceeding their fair value. 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

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(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 its fair value.

(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.

(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.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

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.

(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 were 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 was 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.

(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 during which 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.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(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.

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

The Corporation has a stock-based compensation plan which is described in note 9 (e). The Corporation accounts for all stock options awards under the fair value method. Under the fair value 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. These estimates and assumptions are evaluated by management, based on historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. Significant management estimates and assumptions have been made in assessing the fair value of acquired assets and assumed liabilities regarding business acquisition, estimating the useful lives of fixed assets and intangible assets, estimating the provision for warranty costs and doubtful account, assessing the implied fair value of goodwill regarding impairment test and assessing the recoverability of future income taxes and research and development tax credits. 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.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(o) Loss per share:

Loss per share is computed by dividing net loss by the weighted average shares outstanding during the year. Diluted loss per share is computed similarly to basic loss 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.

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

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.

In January 2009, the CICA's Emerging Issue Committee ("EIC") issued Abstract EIC-173, *Credit risk and the Fair Value of Financial Assets and Liabilities*, which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. EIC-173 will be effective for interim and annual periods beginning on or after January 1, 2009. 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 enterprises. The Corporation will closely monitor changes arising from this transition to IFRS.

2. Business acquisition:

On August 31, 2007, the Corporation acquired substantially 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.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

2. Business acquisition (continued):

The fair values 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
Total of assets		1,383,909
Current liabilities:		
Accounts payable and accrued liabilities		580,000
Deferred revenue		391,500
Total of liabilities		971,500
Net assets acquired		\$ 412,409
Cash consideration		\$ 412,409

3. Accounts receivable:

	2008	2007
Trade receivables	\$ 1,198,368	\$ 943,718
Other	108,634	110,752
	\$ 1,307,002	\$ 1,054,470

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

4. Net investment in sales-type leases:

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

	2008	2007
Total minimum sales-type lease payments receivable	\$ 519,335	\$ 151,036
Less amount representing interest	38,501	4,216
	480,834	146,820
Current portion of net investment in sales-type leases	226,748	96,305
	\$ 254,086	\$ 50,515

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

2008	\$ 243,470
2009	174,384
2010	101,481
	\$ 519,335

5. Fixed assets:

	2008		
	Cost	Accumulated depreciation and amortization	Net book value
Office equipment	\$ 303,876	\$ 209,021	\$ 94,855
Computer equipment and software	688,848	592,358	96,490
Leasehold improvements	358,994	350,705	8,289
Vehicle	49,800	49,800	-
Website	48,099	36,399	11,700
	\$ 1,449,617	\$ 1,238,283	\$ 211,334

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

5. Fixed assets (continued):

	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>

Office equipment and computer equipment and software include property under capital leases with a cost of \$90,953 (2007 - \$90,953) and an accumulated depreciation of \$64,823 (2007 - \$44,156). A depreciation of \$20,667 (2007 - \$17,345) related to property under capital leases is included in the caption "amortization and depreciation" in the statement of operations.

As part of the lease agreement for its premises, the Corporation has provided a movable hypothec on certain office equipment, computer equipment and inventories for an amount totalling \$123,341 to guarantee the payment of obligations.

6. Intangible assets:

	2008		
	Cost	Accumulated amortization ⁽¹⁾	Net book value
Customer-contracts	\$ 356,000	\$ 303,200	\$ 52,800
Distribution network	195,000	195,000	-
Unpatented technology	121,000	114,600	6,400
	<u>\$ 672,000</u>	<u>\$ 612,800</u>	<u>\$ 59,200</u>

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

6. Intangible assets (continued):

	2007		
	Cost	Accumulated amortization	Net book value
Customer-contracts	\$ 356,000	\$ 23,733	\$ 332,267
Distribution network	195,000	13,000	182,000
Unpatented technology	121,000	8,067	112,933
	<u>\$ 672,000</u>	<u>\$ 44,800</u>	<u>\$ 627,200</u>

⁽¹⁾ The Corporation has performed an impairment test of its long-lived assets considering the impact of the closure of the analogue network (see note 12) and our decision to terminate Mobilus and Vigil security products sales. The assets were revalued in the amount of \$74,000, leading to a write-down of \$486,000 accounted for in June 2008. The residual balance revalued is amortized on the active units until December 2010.

7. Obligations under capital leases:

	2008	2007
2008	\$ —	\$ 41,531
2009	14,185	14,185
Total minimum lease payments	14,185	55,716
Less amount representing interest at 9.3%	469	3,725
Present value of minimum capital lease payments	13,716	51,991
Current portion of obligations under capital leases	13,716	38,639
	<u>\$ —</u>	<u>\$ 13,352</u>

Interest of \$3,315 (2007 - \$3,107) 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, 2008 and 2007

8. Long-term debt:

	2008	2007
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 ⁽¹⁾	\$ 65,871	\$ 103,806
Amount payable, bearing no interest in accordance with an agreement expiring in December 2010 ⁽²⁾	37,807	–
	103,678	103,806
Current portion of long-term debt	42,623	37,935
	\$ 61,055	\$ 65,871

⁽¹⁾ When this debt was initially accounted for, the fair value was established using an interest rate of 12%. The remaining balance payable as of December 31, 2008, as per the agreement, is \$73,932 (2007 - \$123,218).

⁽²⁾ When this amount payable was initially accounted for, the fair value was determined by using an interest rate of 15%. The nominal value of the amount payable is \$50,000 and the carrying value of the amount payable will be accreted to this amount of the effective interest rate of 15%.

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

2009	\$ 42,623
2010	61,055
	\$ 103,678

9. Share capital:

(a) Issued and outstanding 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.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

9. Share capital (continued):

(a) Issued and outstanding share capital (continued):

	2008	2007
27,951,221 common shares (28,230,733 as at December 31, 2007)	\$ 31,350,346	\$ 31,413,681

(b) The continuity of share capital is as follows:

	2008		2007	
	Number	Amount	Number ⁽¹⁾	Amount
Issued and outstanding as at the beginning of year	28,230,730	\$ 31,413,681	900,000	\$ 89
Conversion of Classes A, B and C preferred shares, of the imputed interest and accrued and unpaid dividend on preferred shares	—	—	15,940,109	24,818,974
Share issuance of IPO	—	—	11,111,112	10,000,000
Share issuance costs	—	—	—	(1,436,822)
Common share warrants (note 10)	—	—	—	(2,111,111)
Issuance of shares to the chief executive officer	—	—	279,512	142,551
Cancellation of shares issued to the chief executive officer ⁽²⁾	(279,512)	(63,335)	—	—
Issued and outstanding as at the end of year	27,951,221	\$ 31,350,346	28,230,733	\$ 31,413,681

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

⁽²⁾ The Corporation consented a loan, without interest, to its chief executive officer in the amount of \$251,561 for the acquisition of 1% of the total amount of common shares. This loan was cancelled and the shares were remitted by the chief executive officer following his departure. The shares were subsequently cancelled and the amount of \$63,335 was recorded to contributed surplus.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

9. Share capital (continued):

(c) Loss per share:

	2008	2007
Net loss	\$(3,212,821)	\$ (4,389,884)
Weighted average number of common shares outstanding	27,998,745	16,474,774
Weighted average number of diluted common shares outstanding	27,988,745	16,474,774
Basic and diluted ⁽¹⁾ loss per share	\$ (0.11)	\$ (0.27)

⁽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 have been anti-dilutive because the Corporation incurred losses in each of the last two years. All outstanding options and warrants could potentially be dilutive in the future.

(d) Contributed surplus:

The continuity of contributed surplus is as follows:

	2008	2007
Balance, beginning of year	\$ 58,360	\$ -
Stock options plan expense	32,302	200,911
Options exercised	-	(142,551)
Discount on redemption of shares	63,335	-
Balance, end of year	\$ 153,997	\$ 58,360

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

9. Share capital (continued):

(e) 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 an expense of \$32,302 (2007 - \$200,911) related to its stock option plan. The contributed surplus was therefore adjusted for the same amount.

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

	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of year	1,606,592	\$ 0.8050	842,316	\$ 0.8388
Granted	700,000	0.2000	1,083,786	0.8040
Exercised			(279,512)	0.9000
Cancelled	(1,237,801)	0.7465	(39,998)	0.8246
Balance, end of year	1,068,791	\$ 0.4765	1,606,592	\$ 0.8050

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

9. Share capital (continued):

(e) Stock option plan (continued):

The following table summarizes the stock options outstanding and exercisable as at December 31, 2008:

Options outstanding			Options currently exercisable	
Weighted average exercise price	Number	Weighted average remaining (years)	Weighted average exercise price	Number
\$ 0.4765	1,068,791	8.7	\$ 0.7900	442,778

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:

	2008	2007
Risk-free interest rate	4.22%	4.22%
Expected volatility	85.00%	85.00%
Expected life in years	7	7
Expected dividend yield	—	—

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

	2008	2007
Number of options granted	700,000	1,083,786
Weighted average fair value for each option	\$ 0.16	\$ 0.32

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

10. 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:

	2008	2007
5,555,556 common share warrants	\$ 2,111,111	\$ 2,111,111

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. During the year, no share purchase warrants have been exercised.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

11. Financial (revenues) expenses:

	2008	2007
Interest, credit cards and bank charges	\$ 81,172	\$ 94,667
Interest on long-term debt and on obligations under capital lease	14,666	15,376
Interest revenue	(149,593)	(191,016)
Foreign exchange (gain) loss	(45,725)	9,443
Loss on conversion of redeemable preferred shares into common shares	—	171,629
Imputed interest on redeemable preferred shares	—	737,972
Interest on promissory notes converted into common shares	—	98,828
Other financing costs	—	17,891
	\$ (99,480)	\$ 954,790

12. Unusual items and write-off of goodwill:

Termination of analogue networks and discontinuance of security products:	
Unusual items:	
Severance and other labour-related costs	\$ 150,160
Contract termination costs	207,807
Write-off of inventories	35,145
Provision related to Vigil products ⁽¹⁾	(242,111)
Legal and administrative cost	50,835
Write-down of intangible assets ⁽²⁾	486,000
	687,836
Write-off of goodwill ⁽³⁾	603,909
	\$ 1,291,745

Following the decision of the operators of analogue networks to terminate their operations in November 2008, the Corporation, after an economic analysis demonstrating the unprofitability of this operating sector, decided not to replace the analogue units with digital units. Sales of the Mobilus and Vigil security products have been discontinued in the third quarter, the Corporation focussing its energies and financial resources on selling Mobicom and Mobiguard products. The analogue product service was maintained until the network closing date in November 2008. However, even though digital sales have been discontinued during the third quarter, the digital service will be maintained until December 31, 2010.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

12. Unusual items and write-off of goodwill (continued):

The costs associated with implementing the expenditure reduction plan, implementing the agreements entered into with principal clients with respect to terminating these operations represent an estimated total of \$444,000.

(1) Provision related to Vigil products:

A provision was established for the replacement and upgrade of Vigil GPS units at the time of Vigil Locating Systems Corp.'s acquisition in August 2007. Following the shutdown of the analogue networks and the decision to stop selling Mobilus and Vigil security products, it was decided to terminate the replacement and upgrade of Vigil GPS unit and reverse the remaining provision of \$242,011.

(2) Write-down of intangible assets:

The Corporation has performed an impairment test of its long-lived assets considering the impact of the closure of the analogue network and our decision to terminate Mobilus and Vigil security products sales. The assets were revalued in the amount of \$74,000, leading to a write-down of \$486,000. The method used to determine the fair value of the intangible assets was based on the present value of the estimated future cash flows. This devaluation had no impact on the Corporations' cash position.

(3) Goodwill:

Following the November 2008 closure of analogue wireless networks by their operators, the Corporation decided not to replace those units with digital ones and furthermore decided to stop selling Mobilus and Vigil digital security products.

Because of the termination of activities of Mobilus and Vigil digital security products by 2010 and a depressed stock market valuation in view of the current financial crisis, the Corporation completed its impairment test of goodwill and determined that it had to be written off by \$603,909. This devaluation charge has no impact on the Corporation's cash flows.

The following table provides the reconciliation components of the restructuring provisions:

	Severance and other labour- related costs	Other costs	Total
Opening balance	\$ -	\$ -	\$ -
Additions	150,160	258,642	408,802
Payments	(117,468)	(47,904)	(165,372)
Ending balance	\$ 32,692	\$ 210,738	\$ 243,430

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

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, 2008, the Corporation recorded a valuation allowance against all of its future tax assets in the approximate amount of \$5,889,900 (2007 - \$5,927,000).

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

	2008	2007
Future income tax assets:		
Non-capital loss carryforwards and pool of deductible scientific research and development expenditures	\$ 5,094,500	\$ 5,297,000
Capital assets	283,600	303,000
Intangible assets and deductible goodwill	271,000	—
Financing costs	246,200	341,000
Valuation allowance	(5,889,900)	(5,927,000)
	5,400	14,000
Future income tax liabilities:		
Intangible assets and deductible goodwill	—	(9,000)
Long-term debt	(5,400)	(5,000)
	(5,400)	(14,000)
Future income taxes	\$ —	\$ —

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

13. Income taxes (continued):

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

	2008	2007
Net loss before income taxes	\$(3,212,821)	\$(4,389,884)
Income taxes based on combined federal and provincial income taxes of 30.9% (2007 - 32%)	\$ (992,762)	\$(1,404,763)
Increase resulting from:		
Current year tax losses and research and development expenses not recognized	982,781	1,049,398
Non-deductible interest on redeemable preferred shares	—	236,151
Loss on conversion of redeemable preferred shares into common shares	—	54,922
Stock-based compensation	9,981	64,292
	992,762	1,404,763
Income taxes	\$ —	\$ —

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

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
2009	\$ 3,392,000	\$ 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	2,720,000	2,720,000	--	--	--
2027	1,561,000	1,561,000	--	--	--
Indefinitely	--	--	--	2,865,000	4,127,000
Tax benefits available in future years	\$ 15,356,000	\$ 15,356,000	\$ 16,480	\$ 2,865,000	\$ 4,127,000

14. Commitments:

As at December 31, 2008, the Corporation has entered into operating lease agreements for its premises and other obligations. Minimum lease payments required over the next three years are as follows:

2009	\$	202,405
2010		165,833
2011		4,450
	\$	372,688

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial instruments and capital disclosures:

(a) Market risks:

(i) Currency risk:

The Corporation realizes approximately 7% of its sales in foreign currencies and accordingly is not as exposed to market risks related to foreign exchange fluctuations. Furthermore, the Corporation partially compensates for these risks by purchasing materials in US dollars.

(ii) Interest rate risk:

The Corporation's interest rate risk arises from investment in sales-type leases, obligation under capital leases and long-term debt. All these instruments are issued at fixed rates and accordingly expose the Corporation to fair value interest rate risk. Since these instruments are not classified as held for trading nor available for sale, a variation of interest rate would not affect results nor equity of the Corporation.

(b) Credit risk and concentration of credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Corporation also has credit risk relating to cash and cash equivalents. The Corporation manages its risk by dealing only with major Canadian financial institutions that have a high credit rating.

As well, the Corporation is exposed to the credit risk related to its debtors and its net investment in sales-type leases.

The Corporation writes off accounts receivable and net investment in sales-type leases to expected realized value as soon as the account is determined not to be fully collectible, with such write-off charged to net income unless the loss has been provided for in prior periods, in which case the write-off is applied to reduce the allowance for doubtful accounts. The Corporation takes a monthly allowance for doubtful account using a percentage of the sales based on historical bad debts and by doing a detailed analysis of its clients by considering the context of the economy. Such an analysis is performed at the end of the fiscal year.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial instruments and capital disclosures (continued):

(b) Credit risk and concentration of credit risk (continued):

Exposure to credit risk for financial assets:

	2008	2007
Cash and cash equivalents	\$ 2,406,238	\$ 6,120,533
Accounts receivable	1,307,002	1,054,470
Net investment in sales-type leases	480,834	146,820
	<u>\$ 4,194,074</u>	<u>\$ 7,321,823</u>

Exposure to credit risk for accounts receivable and net investment in sales-type leases by geographic region:

	2008	2007
Canadian customers	\$ 1,652,594	\$ 1,009,057
US customers	135,242	192,239
	<u>\$ 1,787,836</u>	<u>\$ 1,201,290</u>

Amounts of US accounts receivable are essentially due from a customer with whom the Corporation has a business relation for many years.

Exposure to credit risk for accounts receivable and net investment in sales-type leases by type of customer:

	2008	2007
End-user	\$ 690,194	\$ 111,953
Commercial	989,008	904,274
Other	108,634	185,063
	<u>\$ 1,787,836</u>	<u>\$ 1,201,290</u>

Historically, commercial trade accounts receivable generate the most doubtful accounts and the provision on the books is primarily for this type of client.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial Instruments and capital disclosures (continued):

(b) Credit risk and concentration of credit risk (continued):

Aging of accounts receivable:

	Brut	Allowance for doubtful accounts	Brut	Allowance for doubtful accounts
Between 0-60 days	\$ 925,873	\$ —	\$ 857,626	\$ —
More than 60 days	609,260	191,916	386,844	190,000
	\$ 1,535,133	\$ 191,916	\$ 1,244,470	\$ 190,000

The Corporation also has a balance receivable from customers following sales-type leases for which payments can be spread out over a period exceeding one year. As at December 31, 2008, the outstanding net investment in sales-type lease is \$480,834 and an allowance for doubtful account of \$36,215 has been recorded.

Movement of the allowance for doubtful accounts:

	2008	2007
Balance, beginning of period	\$ 190,000	\$ 240,000
Expense	221,130	244,598
Write-off against the allowance	(182,999)	(294,598)
Balance, end of period	\$ 228,131	\$ 190,000

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach in managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers and acquisitions or other major investments or divestitures.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial instruments and capital disclosures (continued):

(c) Liquidity risk (continued):

As at December 31, 2008, the Corporation had at its disposal working capital of \$3,443,214 (2007 - \$5,637,641).

In recent years, the Corporation has financed its expansion and sales growth mainly through equity offering.

The following are the contractual maturities of financial liabilities as at December 31, 2008:

	Carrying amount	Contractual amount	0-12 months	1-2 years
Accounts payable and accrued liabilities	\$ 1,695,776	\$ 1,695,776	\$ 1,695,776	\$ -
Obligations under capital leases	13,716	13,716	13,716	-
Long-term debt	103,678	123,932	49,286	74,646
	\$ 1,813,170	\$ 1,833,424	\$ 1,758,778	\$ 74,646

The Corporation has sufficient cash and cash equivalents and working capital available to meet its financial contractual obligations.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial instruments and capital disclosures (continued):

(d) Fair value:

The fair value of financial assets and liabilities, together with the carrying amounts included in the balance sheet, is as follows:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Held for trading				
Cash and cash equivalents	\$ 2,406,238	\$ 2,406,238	\$ 6,120,533	\$ 6,120,533
Loans and receivables:				
Accounts receivable	1,307,002	1,307,002	1,054,470	1,054,470
Net investment in sales-type leases	480,834	400,583	146,820	119,680
Financial liabilities:				
Other financial liabilities:				
Accounts payable and accrued liabilities	1,695,776	1,695,776	2,211,676	2,211,676
Long-term debt	103,678	105,112	103,806	105,628
Obligations under capital leases	13,716	13,716	51,991	51,991

The Corporation has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet date due to the short-term maturity of those instruments.

The fair value of long-term debt and net investment in sales-type leases is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date.

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

15. Financial instruments and capital disclosures (continued):

(e) Capital disclosures:

The Corporation's objectives in managing capital is to safeguard the Corporation's assets and to ensure sufficient liquidity to pursue its organic growth and expansion strategy, fund its research and development projects and undertake selective acquisitions in order to maximize the return to its shareholders, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Corporation's capital structure consists of shareholders' equity. Since inception, the Corporation has financed its liquidity needs primarily through issuance of equity securities. The Corporation tries to fulfill its liquidity requirements by different sources, such as sales, investment tax credits and interest income. The Corporation policy with regard to dividend is to keep funds available to finance operating expenses.

The Corporation's primary use of capital is to finance increase in non-cash working capital items and capital expenditures.

The Corporation is not subject to any capital requirement imposed by external parties.

16. Supplemental disclosure of cash flow information:

	2008	2007
Net changes in non-cash items related to operations:		
Accounts receivable	\$ (252,532)	\$ 170,861
Inventories	251,796	(434,829)
Research and development tax credits receivable	(236,072)	(90,000)
Prepaid expenses and deposits	57,505	19,206
Accounts payable and accrued liabilities	(533,113)	462,474
Deferred revenue	(673,987)	152,681
Net investment in sales-type leases, including long-term portion	(334,014)	(145,308)
	<u>\$(1,720,417)</u>	<u>\$ 135,085</u>
Cash paid during the year for:		
Interest on long-term debt	\$ 14,666	\$ 15,376

DATAKOM WIRELESS CORPORATION

Notes to Financial Statements, Continued

Years ended December 31, 2008 and 2007

16. Supplemental disclosure of cash flow information (continued):

	2008	2007
Non-cash investing activities:		
Purchase of fixed assets financed by accounts payable and accrued liabilities	\$ 22,628	\$ 5,415
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 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.