

DATACOM WIRELESS CORPORATION
FIRST QUARTERLY REPORT
Three-month period ended March 31, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

This report comments on the financial results and the financial situation of Datacom Wireless Corporation for the three-month period ended March 31, 2007. These comments must be read in conjunction with the unaudited financial statements of Datacom Wireless Corporation and their related notes for the corresponding period. To obtain more information on Datacom Wireless Corporation ("Corporation"), visit the SEDAR website at www.sedar.com or the Corporation's website at www.datacom.com.

The unaudited interim consolidated financial statements and management's discussion and analysis ("MD&A") have been reviewed by the Corporation's Audit Committee and approved by its Board of Directors. The external auditors have not reviewed the unaudited interim consolidated financial statements nor the MD&A.

In this report, the terms "we", "us", "our", "Datacom", "enterprise", "Company" and "Corporation" refer to Datacom Wireless Corporation. The financial statements for the Corporation were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Corporation reports its results in Canadian dollars, and all amounts stated in this report are in Canadian dollars, unless otherwise specified.

This report is based on information available to management on May 30, 2007.

We have not been a reporting issuer for the last eight quarters ending at the end of the Financial Year of December 31, 2006 nor have we, prior to becoming a reporting issuer, prepared Quarterly Financial Statements according to GAAP for such periods. However, solely for the purpose of this Management Discussion and Analysis and in order to make appropriate comparisons with the current Quarter, we have now prepared Quarterly Financial Statements in accordance with GAAP for the Quarter ending on March 31, 2007.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that reflect the Corporation's objectives, estimates and assumptions. These statements may include the use of terms such as "believe", "anticipate", "estimate", "looking ahead" and "expect", as well as the use of verbs in the conditional and future tenses. By their nature, these forward-looking statements involve certain risks and uncertainties. Consequently, results could differ materially from the Corporation's expectations.

Statements in this filing about future results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in any forward-looking statements. These factors include, among others, business and economic risks and uncertainties, those described in connection with the forward-looking statements included herein and the risk factors set forth above.

Although the Corporation believes that the expectations reflected in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements or other future events. Moreover, neither the Corporation nor anyone else assumes responsibility for the accuracy and completeness of forward-looking statements. The Corporation is under no duty to update any of its forward-looking statements after the date of this filing. All forward-looking statements in this filing are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Corporation will be realized. For the reasons set forth above, the reader should not place undue reliance on forward-looking statements.

I. OVERVIEW

Datacom is a growing developer and provider of mission critical vehicle fleet management and theft prevention solutions using wireless communications and satellite based tracking technologies for both commercial and consumer markets. It provides real-time solutions such as vehicle and asset management and stolen vehicle recovery. All of its solutions incorporate its user-friendly feature-rich Web-based graphical and tabular data management software.

II. NON-GAAP FINANCIAL MEASURES

EBITDA (earnings before interest, taxes, depreciation and amortization) is used to compare operating results from one period to another. EBITDA is not an earnings measure recognized by GAAP and does not have a standard meaning prescribed by GAAP. The method for calculating EBITDA may differ from that used by other companies under the same designation. The reader is advised that EBITDA should not be substituted for determined net income as an indicator of operating results in line with GAAP, nor for cash flows from operating and investing activities as a measure of liquidity and cash flows. The financial indicator that conforms to GAAP and is the closest to EBITDA is the net income.

III. FIRST QUARTER HIGHLIGHTS

- On March 19, 2007, the Corporation signed a letter confirming its intention to conduct an Initial Public Offering (“IPO”) of approximately \$10 million with the underwriter Raymond James Ltd.
- During the first quarter of 2007, new customer acquisition has been as follows:
 - 25 new Mobicom customers (commercial market)
 - 384 new Mobilus customers (consumer market)
 - 1,476 new Mobiguard customers (consumer market)
- During the first quarter of 2007, a total of 350 Mobicom units were sold.
- In March 2007, a total of 202 Mobicom units were shipped, which represents the largest number of units for a single month.
- In March 2007, the SR&ED tax credit refund of \$257,000 was received.
- Since completion of the first quarter 2007, some significant highlights worth mentioning have occurred:
 - Final prospectus for an IPO of \$10 million was receipted and Closing is scheduled to take place on or about June 6, 2007.
 - New monthly tariffs were introduced on April 1, 2007 for the Mobicom product leading to an average recurring revenue increase of approximately 10%.
 - Average annual recurring service revenue was increased on April 1, 2007 for Mobilus, our vehicle theft deterrent, detection and recovery solution:
 - Mobilus 1.0: average increase of 30.2% (from \$119.40 to \$155.40 annually)
 - Mobilus 1.5: average increase of 7.7% (from \$155.40 to \$167.40 annually)
 - Launch of Mobilus 3.0, the digital Mobilus solution, with an average annual recurring revenue of \$179.40 per unit.
 - Introduction of a new mileage report within the Mobicom software application, for the computation of fuel tax credits on a per province/per state basis.

IV. FIRST QUARTER RESULTS OF OPERATIONS

The following tables highlight selected financial information for the periods indicated and are derived from the unaudited financial statements.

Table 1: Selected financial information

<i>(Amounts in thousands, except for per share data)</i>	Three-month periods ended March 31	
	2007	2006
Revenue	\$1,663	\$1,506
Gross margin	691	643
General and administrative	494	492
Sales and marketing	319	335
Research and development	255	208
Research and development tax credits	(97)	(60)
Operations	156	125
Imputed interest on redeemable preferred shares	480	375
Interest on promissory notes	60	-
Other financial expenses	41	19
Depreciation and amortization	28	39
Net loss	(\$1,045)	(\$890)
Net loss per share:		
Basic and fully-diluted	(\$0.39)	(\$0.33)
After capital reorganization and consolidation	(\$0.06)	N/A

Table 2 below represents a non-GAAP measure that management believes is useful to compare results with other companies in its sector.

Table 2: Net loss to EBITDA reconciliation

<i>(Amounts in thousands, except for per share data)</i>	Three-month periods ended March 31	
	2007	2006
Net loss	(\$1,045)	(\$890)
Imputed interest on redeemable preferred shares	480	375
Interest on promissory notes	60	-
Other financial expenses	41	19
Depreciation and amortization	28	39
EBITDA	(\$436)	(\$457)
EBITDA per share:		
Basic	(\$0.03) ⁽¹⁾	(\$0.04) ⁽²⁾

⁽¹⁾ Calculated based on 16,840,109 common shares outstanding following the completion of a 3-to-1 consolidation associated with our capital reorganization.

⁽²⁾ Calculated based on 12,704,439 common shares outstanding assuming a comparable effect of the completion of the capital reorganization on all preferred shares outstanding on March 31, 2006 followed by a 3-to-1 consolidation.

Revenue

Historical growth of the Corporation has been purely organic in nature. Revenue is generated through the sale of telematics products and the monthly recurring service fees associated with these products. A small percentage of the revenue is generated from professional services, installations, repairs and from the sale of long-term warranties.

The sales force is based in Quebec and Ontario, and the products and services are marketed through both direct and indirect sales channels. The revenues are almost exclusively generated in Canada.

This industry is subject to seasonality. Historically, the first quarter of our fiscal year has the smallest annual revenue contribution, with 23% in 2005 and 21% in 2006. The first quarter of 2007 revenue of \$1.66 million represents a 10.4% increase year-over-year compared to \$1.51 million for the same quarter in 2006.

Recurring revenue accounted for 45.2% of the total revenue during the first quarter of 2007. This compares favourably to the results of the first quarter of 2006, in which recurring revenue represented 41.5% of the total quarter revenue.

Recurring revenue increased 20.3% year-over-year from \$0.62 million in the first quarter of 2006 to \$0.75 million in the first quarter of 2007.

Gross margin

The gross margin percentage decreased 2.6% year-over-year, from 42.7% of revenue during the first quarter of 2006 to 41.6% of revenue during the first quarter of 2007. In dollar amount, the gross margin increased 7.5% year-over-year from \$0.64 million in the first quarter of 2006 to \$0.69 million in the first quarter of 2007.

Operating expenses

General and Administrative

General and administrative expenses relate primarily to costs associated with administrative personnel, legal and professional fees, occupancy, insurance and other corporate and overhead costs. Bad debts associated with accounts receivable are also recorded as administrative expenses. For the most part, general and administrative expenses are fixed in nature and do not fluctuate with the exception of those associated with bad debt.

First quarter 2007, general and administrative expenses were consistent at \$0.494 million compared to \$0.492 million in the first quarter of 2006.

Sales and Marketing

Sales and marketing expenses primarily consist of sales personnel. Other significant components include advertising and trade show costs. Expenses related to sales and marketing decreased 5.0% year-over-year from \$0.34 million in the first quarter of 2006 to \$0.32 million in the first quarter of 2007.

Research and Development

The Corporation invests in research and development to maintain its position in the markets that it currently serves and to enhance its product portfolio with new features and functionalities. The research and development expenditures do not fluctuate with revenues, but they are monitored in relation to revenues and adjusted when appropriate. Research and development expenditures consist primarily of personnel and material costs. These expenses are presented on a gross basis (before deducting research and development tax credits). Research and development tax credits associated with research and development expenditures are shown separately.

Expenses related to research and development increased 22.9% year-over-year from \$0.21 million in the first quarter of 2006 to \$0.26 million in the first quarter of 2007. The increase is mainly attributed to additional efforts related to new product introduction.

Operations

Operating expenses relate primarily to customer service and to our command center. For the most part, expenses from operations are fixed in nature and do not fluctuate directly with revenues. Operating expenses for the first quarter of 2007 were reasonably consistent at \$0.16 million, compared to \$0.12 million for the same period in 2006.

Depreciation and Amortization

Depreciation and amortization pertains to tangible fixed assets. Refer to Note 1 of the Audited Financial Statements for details related to our amortization methods.

Financial expenses

The financial expenses mainly consist of (i) imputed interest on redeemable preferred shares; (ii) interest on promissory notes and (iii) amortization of deferred financing costs.

Imputed interest (as specified in Table 1) on redeemable preferred shares relates to the redeemable preferred shares issued between 2003 and 2005. These redeemable preferred shares, together with their accumulated and unpaid interest and dividends, as part of the capital reorganization, will be automatically converted into common shares thereby resulting in the elimination of these interest charges from the statement of operations on a going forward basis. Due to the materiality of the amount representing imputed interest, there will be a significant reduction in our net loss beginning in the second quarter of 2007.

In 2006, the Corporation obtained a bridge loan from its shareholders in the form of interest bearing promissory notes. As part of the capital reorganization, certain shareholders will exercise some of their Class C share purchase warrants, the result of which has been to cancel the promissory notes and related interest owed to them and to void any additional unexercised Class C share purchase warrants.

Effective at the beginning of its 2007 fiscal year, in order to comply with publicly traded company requirements, the Corporation has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 Financial Instruments. This new accounting standard applies to fiscal years beginning on or after October 1, 2006, and it has to be applied without restatement of prior period amounts for deferred financing costs. Upon initial application, all adjustments to the carrying amount of deferred financing costs shall be recognized as an adjustment to the opening balance of deficit. As at January 1, 2007, the Corporation recorded an increase to the opening balance deficit in the amount of \$32,218.

V. ACCOUNTING POLICY DEVELOPMENTS

The Corporation's unaudited interim financial statements are prepared in accordance with the Canadian GAAP using the same accounting policies disclosed in our audited annual financial statements.

Research and Development costs

Research and development tax credits have been accounted for and are presented separately in the statement of operations using the cost reduction method. Under this method, tax credits relating to eligible expenses are accounted for as a reduction to the related costs in the following year. These amounts are incurred as long as there are reasonable assurances as to their realization.

In the first quarter of 2007, the Corporation collected an SR&ED tax credit of \$257,000 related to the 2005 R&D expenditures.

During the first quarter of 2007, the Corporation registered a tax credit provision of \$97,000 for the current fiscal year. The Corporation intends to register provisions for SE&ED tax credits at the rate applicable to a publicly traded company.

Stock-based compensation

The Corporation has a stock option plan for its directors, officers and employees. It has adopted the revised CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," which requires that a fair value method of accounting be applied to all stock based compensation payments. All awards are accounted for using the fair value method. The fair value of the outstanding stock options is determined by using a fair value-pricing model. The resulting compensation expense is charged to income over the duration of the vesting period with a corresponding credit to contributed surplus.

Any consideration paid on the exercise of options or purchase of shares is credited to capital stock. The determination of the fair value of the stock options requires management to make certain estimates as to the life of the options and the expected volatility of the stock. A change in these factors could affect the compensation expense recorded in the statement of earnings.

VI. CURRENT SHARE CAPITAL AS OF MARCH 31, 2007

The share capital of the Corporation as of March 31, 2007 consists of an unlimited number of common shares, an unlimited number of Class A preferred shares, an unlimited number of Class B preferred shares and an unlimited number of Class C preferred shares, of which 2,700,000 common shares, 6,698,000 Class A preferred shares, 10,050,872 Class B preferred shares and 12,804,014 Class C preferred shares are currently issued and outstanding.

Designation	Quantity	Paid-In	Imputed/Accrued Interest	Total
Common shares	2,700,000	\$89	N/A	\$89
Class A preferred shares	6,698,000	\$5,397,918	\$2,025,739	\$7,423,657
Class B preferred shares	10,050,872	8,099,999	2,755,287	10,855,286
Class C preferred shares	12,804,014	3,580,004	584,541	4,164,545
Total preferred shares	29,552,886	\$17,077,921	\$5,365,567	\$22,443,488
Class A preferred share purchase warrants	822,672	N/A	N/A	N/A
Class C preferred share purchase warrants	13,700,527	N/A	N/A	N/A
Promissory note	N/A	\$1,915,337	\$163,300	\$2,078,637

VII. CAPITAL REORGANIZATION

During the first quarter of 2007, the Corporation has signed an agreement with underwriter Raymond James Ltd. to become a publicly traded company. The Corporation filed the final and definitive prospectus on May 29, 2007.

Common and Preferred shares

Pursuant to the provisions of our Articles, all of the issued and outstanding Class A, Class B and Class C preferred shares will automatically be converted into common shares, immediately prior to and contemporaneously with the Closing of our IPO. The conversion rate for the Class A and Class B preferred shares will be approximately 1.3499 common shares for each Class A and Class B preferred share. The Class C preferred shares will be converted on a one-for-one basis. Our articles also provide for a cumulative and preferential dividend on the Class B preferred shares. Upon the automatic conversion of the Class B preferred shares into common shares, the unpaid cumulative and preferential dividend on the Class B preferred shares, which as of May 31, 2007 will amount to \$2,885,684, will also convert into 4,833,642 common shares, as provided for in our Articles.

After having giving effect to the capital reorganization described above, the shareholders have approved a consolidation of the then issued and outstanding common shares whereby every three outstanding common shares will be exchanged for one new common share (the "Consolidation").

At Closing, after reorganization and Consolidation, the share capital structure will be comprised of 16,840,109 common shares.

Warrants

As of March 31, 2007,, there are 822,672 Class A preferred share purchase warrants and 13,700,527 Class C preferred share purchase warrants outstanding. Each warrant entitles the holder to acquire one common share.

Class A preferred share purchase warrants

Each of the Class A preferred share purchase warrants was exercisable at a price of \$1.27 as of March 31, 2007.

The Class A preferred share purchase warrants do not provide for a forced acceleration of exercise at IPO. After the Consolidation, the unexercised Class A preferred share purchase warrants have been adjusted to reflect completion of our capital reorganization and Consolidation.

At Closing, after reorganization and Consolidation, there are 822,672 warrants outstanding, each entitling the holder to acquire 0.45 of one common share at an exercise price of \$1.27. These warrants will expire on March 26, 2008. Given their exercise price, no Class A preferred share purchase warrants have been exercised prior to Closing.

Class C preferred share purchase warrants

Each of the Class C preferred share purchase warrants was exercisable at a price of \$0.2796 as of March 31, 2007. We have given a notice of the Closing to the holders of the Class C preferred share purchase warrants in order to force the acceleration of their expiry. Out of the 13,700,527 Class C preferred share purchase warrants outstanding, a total of 7,573,368 have been exercised prior to Closing. The exercise price of these warrants has been offset against the amounts owing by us to the holders thereof pursuant to promissory notes of \$2,117,514 issued by us.

At Closing, after reorganization and Consolidation, there are no Class C warrants outstanding as any unexercised Class C warrants have become null and void.

The structure after the capital reorganization is summarized below:

Designation	Quantity	Total
Common shares	16,840,109	\$24,869,836
Class A preferred shares	0	0
Class B preferred shares	0	0
Class C preferred shares	0	0
Total preferred shares	0	0
Common share purchase warrants ⁽¹⁾	822,672	N/A
Class C preferred share purchase warrants	0	N/A
Promissory note	N/A	\$0

⁽¹⁾ Formerly Class A preferred share purchase warrants. This new common share purchase warrant entitles the holder to acquire 0.45 of one common Share at an exercise price of \$1.27, which warrant shall expire on March 26, 2008.

VIII. LIQUIDITY AND CAPITAL RESOURCES

Balance sheet

<i>(Amounts in thousands of dollars, except for per share data)</i>	Three-month periods ended March 31	
	2007	2006
Working capital	\$934	\$1,132
Working capital ratio	1.50:1	1.61:1
Redeemable preferred shares	22,038	21,963
Long-term debt (including obligation under capital lease and current portion)	2,012	1,773

Management is confident that the current working capital position, combined with the net proceeds from the IPO, is adequate to fund our operations for the next 24 months.

Redeemable preferred shares outstanding as of March 31, 2007 will be converted at Closing of the IPO into common shares, as a result of the capital reorganization, and will accordingly be reclassified in whole to share capital in the financial statements of the second quarter 2007.

Long-term debt, after repayment of the promissory note as part of the capital reorganization, will decrease to approximately \$148,000.

Statement of cash flow summary

<i>(Amounts in thousands of dollars)</i>	Three-month periods ended March 31	
	2007	2006
Operating activities	\$ (484)	\$ (462)
Financing activities	324	(4)
Investing activities	(6)	(31)
Net (decrease) increase in cash and cash equivalents	(166)	(497)

Contractual obligations

The cash flows from operations are dependent on a number of factors including fluctuations in operating results and working capital management. As a result, the impact of contractual obligations on liquidity and capital resources in the future should be analyzed in conjunction with those factors. The products are typically sold with a product warranty of 12 months. Management reviews historical warranty costs relative to sales and accrues warranty expenses accordingly. The Corporation had \$2.01 million (including obligation under capital lease and the current portion) in long-term debt as of March 31, 2007. This long-term debt, excluding the promissory notes, consisted of an interest free loan from Canada Economic Development with a remaining obligation of approximately \$148,000.

The following table sets forth the contractual obligations and commitments of the Corporation to make future payments under contracts as of March 31, 2006.

<i>(Amounts In thousands of dollars)</i>	Total	2007	2008	2009	2010	2011+
Long-term debt	\$148	\$25	\$49	\$49	\$25	\$-
Promissory note ⁽¹⁾	1,915	-	-	1,915	-	-
Capital lease obligations	36	16	20	-	-	-
Operating lease obligations	83	35	26	9	9	4
Office rent	843	160	217	229	217	20
Total	\$3,025	\$236	\$312	\$2,202	\$251	\$24

⁽¹⁾ The promissory note will be eliminated as a result of our capital reorganization.

Off-balance sheet arrangements

The Corporation does not have any off-balance sheet arrangements other than as disclosed under "Contractual Obligations" and "Financial Instruments".

Related party transactions

The Corporation did not enter into any transactions with related parties during the first quarter of 2007.

Financial instruments

As a result of the IPO, management will apply section 3855 of the CICA Handbook "Financial Instruments" which is applicable to all public corporations for the fiscal period starting after October 30, 2006. Since most of the financial instruments and embedded instruments will be eliminated with the capital reorganization mentioned above, this will not materially influence the financial statements for the fiscal year ended 2007.

Changes in accounting policies

Management anticipates no material change in accounting policies as a result of becoming a public corporation except for the following. It will apply section 3855 of the CICA Handbook "Financial Instruments – Recognition and Measurement" which is applicable to all public corporations for the fiscal period beginning after September 30, 2006. Management has not yet analyzed the effect of this section on the financial position of the Corporation as of January 1, 2007. As noted above, the capital reorganization will significantly modify the capital structure and management does not expect a major effect of these new standards thereafter.

Credit risk and concentration of credit risk

In the normal course of business, the financial condition of the customers is evaluated on a continuing basis and the creditworthiness of all new customers is reviewed. Management determines an allowance for doubtful accounts to reflect specific customer risk.

Outlook

Management expects that the revenues will grow from sales of existing and new products. It also expects to increase total dollar gross margins. Research and development will continue to be a key focus as the Corporation invests in new product development. Additional resources will be committed to sales and marketing. General and administrative costs are expected to increase because of additional costs associated with operating as a public corporation.

IX. RISKS AND UNCERTAINTIES

There are certain inherent risks in the operations of the Corporation that could affect financial results in the future. Management believes that the most significant risks are as follows:

Revenue growth

Growth in our revenues and subscriber base is subject to many factors beyond our control. As an example, the general economic conditions, from time-to-time, may have a dampening influence on the purchasing decisions of potential customers within both the commercial and consumer markets. Increasing fuel costs may also have a significant impact on the disposable incomes of our current and potential customer base. To alleviate the aforementioned risks, we focus our efforts on promoting the financial benefits that customers and businesses are able to realize through the use of our products and services.

Key suppliers

With the goal of achieving economies of scale, management uses a few key suppliers for the sourcing of its hardware devices. No assurances can be given that the Corporation will not experience delays and difficulties in sourcing sufficient devices to meet the planned growth. To alleviate this risk, the Corporation maintains sufficient inventory that can translate into enough lead-time to source and integrate equivalent hardware devices from alternative suppliers.

Wireless networks

The Corporation depends on wireless networks owned and controlled by others. If its customers do not have continued access to sufficient capacity on reliable networks, it may be unable to deliver services and revenues could decline.

Competitive landscape

The market for the Corporation's services is expected to become increasingly competitive in the future. This competition may have a negative impact on the Company's ability to acquire new customers or generate additional revenues.

Acquisitions

Management expects to acquire companies that expand or complement the Company's current business. Such acquisitions may involve significant commitments of financial or other resources.

There can be no assurance that any such acquisitions will generate revenue, income or other returns for the Corporation, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and on its ability to manage growth.

Mobicom, Mobilus and Mobiguard are trademarks of Datacom Wireless Corporation.
Datacom Wireless Corporation, 440 Armand-Frappier Blvd., Suite 350, Laval, Quebec, Canada H7V 4B4
Telephone: +1 450 681-6667; fax: +1 450 681-2201; website: www.datacom.com
Un exemplaire en français est disponible sur demande adressée auprès du Service des relations avec les investisseurs ou sur le site Internet de SEDAR à l'adresse www.sedar.com ou le site Internet de Corporation Datacom Wireless à l'adresse www.datacom.com.