

DATACOM WIRELESS CORPORATION
QUARTERLY REPORT
Three-month period ended June 30, 2007



MANAGEMENT DISCUSSION AND ANALYSIS

This report is a review of the financial results and situation of Datacom Wireless Corporation for the three-month period ended June 30, 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 August 24, 2007.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain statements that may be deemed "forward-looking statements". Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", and other similar words, or statements that certain events or conditions "may" or "will" occur. All statements in this MS&A, other than statements of historical facts, that address future events or developments that the Corporation expects or anticipates, are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices and general economic, market or business conditions. There can be no assurance that forward-looking statements will prove to be accurate, as results and future events could differ materially from those anticipated statements. The Corporation undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

I. OVERVIEW

Founded in 1999, the Corporation has grown to become one of the Canadian leaders in the design, development and marketing of mission critical vehicle fleet management and theft prevention and recovery solutions. Its products and services use wireless communications and satellite-based tracking technologies (GPS) and a state-of-the-art ASP information portal.

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 net income.

III. SECOND QUARTER HIGHLIGHTS

- On June 6, 2007, the Corporation closed an Initial Public Offering (“IPO”) of \$10 million with the underwriter Raymond James Ltd.
- On July 27, 2007, the Corporation announced its first strategic acquisition, subject to meeting all closing conditions including approval by the Vigil GPS shareholders and the regulatory authorities. This transaction will immediately boost its monthly recurring revenue by \$75,000, a 29% increase over present levels.
- Increase since April 1, 2007 in monthly fees for the Mobicom and Mobilus products generated a positive contribution of some 3% to the growth of recurring revenue.
- At the end of the second quarter of 2007, the Corporation concluded an agreement with the supplier of its Mobilus platform that will generate savings of some 21%, starting in the third quarter.
- A total of 335 Mobicom units were sold in the second quarter of 2007.
- During the second quarter of 2007, new customer acquisition has been as follows:
 - 38 new Mobicom customers (commercial market)
 - 756 new Mobilus customers (consumer market)
 - 2,910 new Mobiguard customers (consumer market)
- The Corporation passed the 10,000 mark in installations of its Mobiguard unit in the second quarter of 2007, barely one year after its release. These results far exceeded initial sale expectations.
- In June 2007 alone, 325 Mobilus units were sold and installed, generating the Corporation’s highest monthly sales to date for this product.
- The Corporation passed the 1,000 mark in sales of its co-developed remote Web-based monitoring indicator (753R with iTraX). These results largely exceeded expectations and will positively contribute to the growth of the Corporation’s recurring revenue. The Corporation jointly developed this product with a subsidiary of Emerson Electric Co.
- Claude Chagnon and Greg Rokos joined the Corporation’s Board of Directors in the second quarter of 2007. Both are experienced businessmen with proven track records in finance, strategic planning and mergers and acquisitions, all key factors in the

Corporation's strategic growth. Please refer to the Corporation's press release dated July 5, 2007 on www.sedar.com for further details.

IV. ACQUISITIONS

On July 27, 2007, the Corporation concluded an agreement to acquire virtually all assets and commercial activities of Vigil GPS (TSX VENTURE:VIG) in exchange for a total consideration of one million Canadian dollars (CAD\$1,000,000). The Corporation is to pay out two hundred seventy-five thousand dollars (\$275,000) in cash and assume seven hundred twenty-five thousand dollars (\$725,000) of liabilities.

This acquisition is of great importance to the Corporation because Vigil's business is complementary to its own. The Corporation anticipates that this acquisition will generate an immediate \$75,000 increase in recurring monthly revenue, or 29% more than present levels.

Finalization of this acquisition is subject to meeting all closing conditions, including approval by Vigil GPS shareholders and the regulatory authorities. The transaction is anticipated to close on or before August 31, 2007.

V. SECOND QUARTER RESULTS OF OPERATIONS

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

Table 1: Selected financial information

<i>(Amounts in thousands, except for per share data)</i>	Three-month period ended June 30		Six-month period ended June 30	
	2007	2006	2007	2006
Revenue	\$2,052	\$1,778	\$3,715	\$3,284
Gross margin	768	751	1,459	1,394
General and administrative	529	468	1,022	961
Sales and marketing	428	307	746	642
Research and development	289	214	545	422
Research and development tax credits	(75)	(60)	(172)	(120)
Operations	177	130	333	255
Imputed interest on redeemable preferred shares	258	375	738	750
Interest on promissory notes	40	19	100	19
Other financial expenses (revenue)	34	(26)	56	(45)
Amortization of deferred financing costs	190	21	190	59
Stock-based compensation	114	-	114	-
Depreciation and amortization	29	33	57	71
Net loss	\$(1,245)	\$(730)	\$(2,270)	\$(1,620)
Net loss per share:				
Basic and fully-diluted	\$(0,15) ⁽¹⁾	\$(0,81)	\$(0,50) ⁽¹⁾	\$(1,80)
Weighted average number of shares	8,108,105	900,000	4,523,965	900,000

⁽¹⁾ Based on the actual number of outstanding shares as at June 30, 2007, the basic and fully diluted loss per share would be respectively \$0.04 for the three-month period and \$0.08 for the six-month period.

Table 2 below represents a non-GAAP measure that management believes is useful for comparing financial 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 period ended June 30		Six-month period ended June 30	
	2007	2006	2007	2006
Net loss	\$(1,245)	\$(730)	\$(2,270)	\$(1,620)
Imputed interest on redeemable preferred shares	258	375	738	750
Interest on promissory notes	40	19	100	19
Other financial expenses	34	(26)	56	(45)
Amortization of deferred financing costs	190	21	190	59
Depreciation and amortization	29	33	57	71
EBITDA	\$(694)	\$(308)	\$(1,129)	\$(766)
EBITDA per share:				
Basic and diluted	\$(0.09) ⁽¹⁾	\$(0.34)	\$(0.25) ⁽¹⁾	\$(0.85)
Weighted average of number of outstanding shares	8,108,105	900,000	4,523,965	900,000

⁽¹⁾ Based on the actual number of outstanding shares as at June 30, 2007, the basic and fully diluted loss per share would be respectively \$0.02 for the three-month period and \$0.04 for the six-month period.

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.

Revenue for the second quarter of 2007 totalled \$2.05 million, up 15.4% from 2006 second quarter revenue of \$1.78 million. Revenue for the first six months of 2007 stood at \$3.71 million, for year-over-year growth of 13.1%. Growth in the customer base is primarily responsible for these increases in revenue.

Recurring revenue increased 18.3% year-over-year from \$0.67 million in the second quarter of 2006 to \$0.79 million for the same period of 2007. Recurring revenue represents 38.7% of total revenue to date in 2007. This figure compares favourably with 2006 second quarter results, in which recurring revenue represented 37.8% of total revenue.

Virtually all of the Corporation's revenues are generated from Canada by its direct sales forces in Quebec and Ontario.

Gross margin

The gross margin percentage decreased by 4.8% year-over-year to 37.4% for the second quarter of 2007 and by 3.2% to 39.3% for the first six months of 2007.

This decline was triggered by a temporary increase in supply costs due to migration from an analog to a digital platform and through a temporary rise in installation labour costs aimed at

substantially decreasing customer waiting time for Mobilus product installations. The Corporation expects that this temporary labor cost impact on the gross margin will be absorbed over the next few quarters.

The gross margin in dollars, however, rose year-over-year for the second quarter, climbing from \$0.02 million to \$0.75 million in 2006 to \$0.77 million in 2007. The gross margin of \$1.46 million for the quarter represents a \$0.07 million increase over the 2006 figure of \$1.39 million.

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.

General and administrative expenses rose 13.0% year-over-year in the second quarter, from \$0.468 million in 2006 to \$0.529 million in 2007. This rise is due to additional business volume and increase in operating expenses due to the addition of personnel and costs pertaining to the operation of a public corporation.

General and administrative expenses rose \$0.06 million for the first six months, a 6.3% year-over-year increase.

Sales and Marketing

Sales and marketing expenses primarily consist of sales personnel salaries, hospitality and travel expenses and commissions on indirect product sales. Other significant components include advertising and trade show costs.

Expenses related to sales and marketing increased 39.5% year-over-year from \$0.31 million in the second quarter of 2006 to \$0.43 million in the second quarter of 2007. These expenses climbed because of a rise in marketing costs resulting from service to an expanded territory and commissions paid for product marketing. The expenses stood at \$0.75 million for the first six months of 2007, compared to \$0.64 million in 2006, for an increase of \$0.10 million or 16.3%.

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 35.2% year-over-year from \$0.21 million in the second quarter of 2006 to \$0.29 million in the second quarter of 2007. The increase is mainly attributed to additional efforts related to new product introduction. Research and development expenses during the first six months of the period stood at \$0.54 million, up \$0.12 million or 29.1% year-over-year.

Operations

Operating expenses relate primarily to customer service and to the Corporation's command centre. For the most part, expenses from operations are fixed in nature and do not fluctuate directly with revenues. However, a growth in activities will automatically result in an increase of such expenses.

Operating expenses increased 36.4%, rising from \$0.13 million in the second quarter of 2006 to \$0.18 million in the second quarter of 2007. This increase related to the Corporation's increased volume of business. In the first six months of 2007, these expenses stood at \$0.33 million, compared to \$0.25 million for the first six months of 2006, representing a \$0.08 million (30.9%) rise

Depreciation and amortization

Depreciation and amortization pertains to tangible fixed assets. Please refer to Note 1 of the audited financial statements for details related to the Corporation's amortization methods.

Financial expenses

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

Imputed interest on redeemable preferred shares and interest on promissory notes

Imputed interest on redeemable preferred shares and promissory notes (as specified in Table 1) relates to (1) the redeemable preferred shares issued between 2003 and 2005 and the promissory notes issued in 2006 and 2007. These redeemable preferred shares and promissory notes, together with their accumulated and unpaid interest and dividends, as part of the capital reorganization, have been automatically converted into common shares, thereby resulting in the elimination of these interest charges from the statement of operations on a going-forward basis.

The year-over-year reduction of imputed interest on preferred shares to \$0.26 million in the second quarter of 2007 from \$0.38 in the same quarter of 2006 is directly related to the automatic conversion of redeemable preferred shares into common shares on a going-forward basis. This reduction had a positive impact on the Corporation's income statement through the write-off of this charge in June 2007. The elimination of this charge also explains the decrease in imputed interest charges on preferred shares during the first six months.

The increase in interest payments on promissory notes is due to the fact that the latter have been issued incrementally at different dates since the second quarter of 2006. The automatic conversion of these notes in June 2007 resulted in the elimination of this charge, which also had a positive impact on income statements for this quarter and first six months. This favourable impact will continue over the next quarters.

Amortization of deferred financing costs/accretion expenses

Amortization of the deferred financing costs refers to the redeemable preferred shares and the promissory notes. At the time of the automatic conversion of the redeemable preferred shares and the promissory notes, the deferred financing costs were written off and recorded on the income statement under the heading of "Amortization of Deferred Financing Costs". The elimination of these deferred financing costs will have a positive impact on the Corporation's income statements for the present quarter and first six months. This favourable impact will continue over the next quarters.

Other financing costs (revenue)

Other financing costs include net bank charges, credit card charge fees, bank charges, exchange rate gains or losses and interest on the bank balance.

As bank charges were fairly stable, differences in other financing costs (revenue) were primarily due to variations in the bank balance and changes in exchange rates.

In the second quarter of 2007, the variation in interest revenue was negligible, with a decline of some \$0.03 million in such revenue from the first six months.

The Corporation recorded exchange rate losses of \$0.02 million in the second quarter and first six months of 2007, compared with a gain of \$0.2 million for the same periods in 2006. Although almost all of the Corporation's transactions were conducted in Canadian dollars, the loss in 2007 was primarily due to the substantial drop in American currency during the first six months of 2007.

Stock-based compensation

Canadian GAAP requires companies to record a compensation expense for stock options granted to employees and directors. The fair value is determined using the Black-Scholes option pricing model, and the compensation expense is charged to income over the vesting period.

In the second quarter of 2007, the Corporation recorded a stock-based compensation expense of \$0.113 million. This expense is also reflected for this first six months. It was recorded at \$0 in 2006.

VI. 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 its audited annual financial statements.

VII. SHARE ISSUE AND CAPITAL REORGANIZATION

On June 6, 2007, the Corporation completed an Initial Public Offering (IPO) in which 11,111,112 units were issued in exchange for \$10,000,000.80. Each unit consisted of one common share and half of one stock purchase warrant.

This IPO was designed to expand the Corporation's distribution network and its marketing activities, to broaden its product and service line and to maintain its growth through such means as acquisitions.

Moving forward from the IPO, the Corporation also conducted a capital reorganization and consolidated all stock issued and outstanding following the reorganization and prior to the IPO. At the same time, Corporation approved a loan to its Chief Executive Officer of \$251,560.80, enabling him to purchase 1% of the total number of common shares on Closing.

Refer to the final prospectus dated May 31, 2007, available at www.sedar.com for details related to these transactions.

VIII. CURRENT SHARE CAPITAL AS AT June 30, 2007

The share capital of the Corporation as at June 30, 2007 consists of an unlimited number of common shares.

The following table presents variations that arose in the Corporation's common capital stock in the second quarter of 2007 and its position on June 30, 2007.

	Number	Value
Issued and circulating as at December 31, 2006, before the 3 for 1 consolidation ⁽¹⁾	2,700,000	\$89
Issued and circulating as at December 31, 2006 After the 3 for 1 consolidation ⁽¹⁾	900,000	\$89
Conversion of A, B and C preferred shares, imputed interest and accrued and unpaid dividends on these preferred shares	15,940,109	24,818,975
IPO	11,111,112	10,000,000
Stock purchase warrants in common shares	Nil	(333,333)
Issuance of shares to the Chief Executive Officer	279,512	-
Share issuance cost	Nil	(1,316,295)
Issued and circulating as at June 30, 2007	28,230,733	\$33,169,436

(1): Shareholders approved a consolidation of common shares that consisted of an exchange of three common shares for each common shares held at that time on a going-forward basis.

No new share capital was issued since June 30, 2007.

IX. LIQUIDITY AND CAPITAL RESOURCES**Balance sheet**

<i>(Amounts in thousands of dollars, except where indicated otherwise)</i>	Three-month period ended June 30	
	2007	2006
Working capital	9,096	1,132
Working capital ratio	5.15:1	1.61:1
Redeemable preferred shares	-	21,963
Long-term debt (including obligation under capital lease and current portion)	116	1,734
Common shares <i>(in dollars)</i>	33,169,436	89
Stock purchase warrant <i>(in dollars)</i>	333,333	-

Contributed surplus

114

-

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

Redeemable preferred shares outstanding as at December 31, 2006 were converted into common shares at closing of the IPO.

Promissory notes were redeemed as part of the capital reorganization. The transaction did not result in a disbursement by the Corporation as the redemption was offset against the proceeds of the exercise price of the warrants of the same group of investors.

The balance of common shares of 28,230,733 and of contributed surplus on June 30, 2007 reflects the issuance of shares during the IPO, the capital reorganization and the issuance of common shares to the Corporation's Chief Executive Officer (through a loan granted by the Corporation)

Statement of cash flow summary

<i>(Amounts in thousands of dollars)</i>	Three-month period ended June 30		Six-month period ended June 30	
	2007	2006	2007	2006
Operating activities	(681)	(1,050)	(1,165)	(1,512)
Financing activities	8,881	808	9,206	804
Investing activities	(45)	(15)	(51)	(47)
Net increase (decrease) in cash and cash equivalents	8,155	(257)	7,989	(755)

Contractual obligations

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. Products are typically sold with a product warranty of 12 months. Management reviews historical warranty costs relative to sales and accrues warranty expenses accordingly. Further to the redemption of the promissory notes, the Corporation's long-term debt consists 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 at June 30, 2007.

<i>Amounts in thousands of dollars</i>	Total	2007	2008	2009	2010	2011+
Long-term debt	148	25	49	49	25	-
Capital lease obligations	42	21	21	-	-	-
Operating lease obligations	69	21	26	9	9	4
Office rent	790	107	217	229	217	20
Total	1,049	174	313	287	275	24

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 second quarter of 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 at January 1, 2007. The Corporation does not, however, anticipate any material change in the 2007 financial statements.

Credit risk and concentration of credit risk

Please refer to the final prospectus dated May 29, 2007.

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.

X. RISKS AND UNCERTAINTIES

Please refer to the final prospectus dated May 29, 2007.

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: +1-450-781-6000; Fax: +1-450-781-6001; Web site: 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.