



CORPORATION DATACOM WIRELESS
QUARTERLY MANAGEMENT REPORT
Three Months Ended June 30, 2009

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, 2009. These comments should 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 HYPERLINK "<http://www.sedar.com>" www.sedar.com or the Corporation's website at HYPERLINK "<http://www.datacom.com>" 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 26, 2009.

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 MD&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

Datacom was established in 1999 and offers a range of products and services for commercial and consumer markets.

Datacom provides high-quality fleet and vehicle management services and products for the commercial market. Fleet managers use the Mobicom™ product line on a 24/7 basis to track vehicle positions in real time on a computerized map and to acquire important management information. System benefits include maximized fleet efficiency, reduced operating, maintenance and fuel costs, and the prevention of theft and misuse. Mobicom™ is a user-friendly productivity enhancement tool that provides a quick return on investment.

Our direct sales force is primarily responsible for Mobicom sales in Quebec. The Ontario market is supported by a direct presence, plus authorized agents.

Datacom offers Mobiguard™ for the consumer market. This theft prevention system is equipped with a revolutionary technology that immobilizes a vehicle by disabling its starter circuit.

Mobiguard™, which Datacom sells to consumers directly through a referral program with certain Quebec insurance companies, stands in a class of its own and is distinguished from other conventional electronic immobilizers by its unique characteristics, including greater ease of use.

Mobiguard™ is an effective mechanism for preventing vehicle theft at a competitive cost. This product entails no monthly fees and permits substantial reductions in insurance premiums.

Despite its decision to stop selling Mobilus and Vigil security products, Datacom will continue to generate recurring revenues through previously sold digital units that it intends to keep in service through December 31, 2010.

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

Mobicom unit sales above the Corporation's forecasts

Although the 437 Mobicom units, sold in the second quarter of 2009 were down 13% compared to the 502 units sold in the same period of 2008, the Corporation is satisfied with this result as the number of sold units is higher than Management's forecasts after consideration was made for the closure of the Alberta office in January and a significant reduction in the Ontario sales force.

As anticipated, the 3,068 Mobiguard units sold in the second quarter of 2009 were 37% less than the 4,867 units sold during the second quarter of 2008.

Anticipated decrease in Revenues

Revenues were adversely affected during the quarter due to the loss of recurring analogue income and the loss of proceeds due to the halt in sales of Mobilus and Vigil digital products. This is a drop of \$0.922 million or 35% compared to the second quarter of 2008. This decrease is consistent with Management's forecasts and operating expenses were adjusted accordingly.

Rise in Gross Margin

The Corporation recorded a rise in its gross margin for the second quarter of 2009. This figure climbed 7.7 percentage points to 51.5% compared with 43.8% for the same period in 2008. While revenues were down due to the closure of analogue networks and the halt in sale of digital security products, the Corporation managed to increase its gross margin with effective cost control measures.

Expense reductions

The Corporation continued the efforts initiated in 2008 and made major reductions in its expenses in the second quarter of 2009, as expenses totalled \$0.942 million, or 55% of revenues compared to \$2.225 million or 84% of revenues for the second quarter of 2008 when the number of employees was significantly higher than in 2009.

Reduction of Net Loss

The Corporation is particularly satisfied with a 95% reduction in Net Loss, which totalled \$52,763 compared to \$974,088 for the second quarter of 2008. This reduction is the result of all the initiatives that have been put forward since 2008 towards our goal of better aligning revenues and cost to achieve profitability.

Business combination with BSM Wireless

Further to the joint press release of July 2, 2009, BSM Technologies and Datacom Wireless announced on August 21st that they had entered into the definitive business combination agreement, whereby BSM and Datacom have agreed upon the definitive terms and conditions with respect to the proposed business combination of the two companies to Create a Major Player in the Canadian Telematic market.

The proposed business combination will be in the form of an amalgamation of Datacom with a wholly-owned subsidiary of BSM. Each Datacom Common Share will be exchanged for approximately 4.2421 BSM Common Shares such that, upon completion of the proposed business combination, the former holders of BSM Common Shares, BSM Preferred Shares and BSM options will own 59.5% (180,859,247 out of 303,965,120) of all BSM securities outstanding, on a fully diluted basis, and former holders of Datacom Common Shares and Datacom options will own 40.5% (123,105,873 out of 303,965,120) of all BSM securities outstanding, on a fully diluted basis. BSM will continue to be listed on the TSX Venture Exchange. Datacom Shares will be delisted from the TSX-V. All options to purchase BSM Common Shares that are outstanding at the time of the closing of the Proposed Transaction will remain outstanding in accordance with their terms. Each option to purchase Datacom Shares will be replaced with approximately 4.2421 options to purchase BSM Common Shares and the exercise price for such option will be the original exercise price divided by approximately 4.2421.

Each of BSM and Datacom have scheduled shareholders' meetings to seek shareholder approval of the Proposed Transaction on September 23, 2009. Closing of the Proposed Transaction is scheduled to occur on or about September 25, 2009.

The Proposed Transaction is expected to generate cost synergies and drive an improved cost structure. Based on both corporations' last reported financial results, it is expected that the resulting corporations would have approximate pro forma assets of \$11.3 million, and annual revenues of approximately \$18 million.

Emerson Electric Co.

The Corporation, which participated in the development of Itrax, a Web-based fixed assets management system, in conjunction with a subsidiary of Emerson Electric Co., continues to supply development services and computer support to this product. A new agreement between the Corporation and Emerson Electric Co., which provides for the payment of royalties to Datacom based on the number of units sold, as been signed in April of 2009 and is valid for an 18 month period.

Key Performance Indicators

We use such key performance indicators as revenue, gross margin, working capital, net profit "net loss" and net profit "net loss" per share to assess our company wide performance. We also believe that EBITDA or Adjusted EBITDA constitutes an important measurement of our performance.

IV. 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

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
<i>(Amounts in thousands except for per share data and weighted average number of shares outstanding)</i>				
Revenue	\$ 1,728	\$ 2,650	\$ 3,460	\$ 4,851
Gross Margin	889	1,251	1,745	2,200
General and administrative	363	579	818	1,447
Sales and marketing	282	563	608	1,211
Research and development	155	354	349	672
Research and development tax credits	-	(71)	(12)	(116)
Operations	102	242	228	481
Other financial expenses (revenue)	(11)	1	2	(47)
Stock-based compensation	12	6	25	13
Amortization of intangible assets	7	34	15	67
Write-down of intangible assets	-	486	-	486
Depreciation and amortization	32	31	67	66
Net loss	\$ (53)	\$ (974)	\$ (355)	\$ (2,080)
Net loss per share :				
Basic and fully-diluted	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.07)
Weighted average number of shares outstanding	27,951,221	27,951,221	27,951,221	28,026,274

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

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
<i>(Amounts in thousands, except for per share data and weighted average number of shares outstanding)</i>				
Net loss	\$ (53)	\$ (974)	\$ (355)	\$ (2,080)
Other financial expenses (revenue)	(11)	1	(2)	(47)
Amortization of intangible assets	7	34	15	67
Write-down of intangible assets	-	486	-	486
Depreciation and amortization	32	31	67	66
EBITDA	\$ (25)	\$ (422)	\$ (275)	\$ (1,508)
EBITDA per share basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.05)
Weighted average number of shares outstanding	27,951,221	27,951,221	27,951,221	28,026,274

Revenue

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 2009 totalled \$1.728 million, down 35% from 2008 second quarter results of \$2.650 million. For the six-month period ended June 30th 2009, Revenue totalled \$3.460 million, down 28.7% from the same period in 2008 of \$4.851 million.

Revenues were adversely affected due to the loss of recurring analogue income and the loss of proceeds due to the halt in sales of Mobilus and Vigil digital products.

Revenue from recurring services declined 21% year-on-year in the second quarter, from \$1.153 million in 2008 to \$0.913 million in 2009. Recurring revenue as at June 30, 2009 represented 52.8% of total revenue. This figure compared favourably with June 30, 2008, when recurring revenue represented 43.5% of the total, despite a decline in recurring revenue due to the termination of analogue service and the halt in Mobilus and Vigil sales.

Our revenue is derived almost exclusively in Canada through our direct Quebec sales force.

We must consider the possibility that the economic uncertainty could have a negative impact on the sale of Mobiguard products in 2009, since such sales are directly related to those of new vehicles. Furthermore, insurance company requirements for the installation of security systems like Mobiguard might ease, so that they can maintain their own competitiveness. Both these situation would hurt sales.

Economic uncertainty has not reduced demand for Mobicom products to date. We believe the introduction of "all-inclusive" and other packages are helping our product keep its edge. A marked economic slowdown could negatively affect our client base, and reduce our revenue.

Gross Margin

Gross margin is equivalent to revenue minus the cost of goods sold. The cost of goods sold primarily includes the cost of the units sold, as well as that of their assembly, installation and warranty coverage, plus telecom and other related fees.

Gross margin stood at 51.4% of revenues for the three-month period ended June 30 2009 compared with 43.8% of revenues for the same period in 2008 and at 50.4% for the six-month period ended June 30 2009 compared to 41.9% for the same period in 2008.

In dollars, gross margin for the second quarter declined 0.271 million or 23.3% compared to 2008 and declined \$0.286 million or 14.1% for the six-month period ended June 30 2009 compared to 2008.

This rise in percentage is primarily due to a decrease in our equipment costs and a decline in network expenses following the deployment of monitoring and control tools and through more efficient management of the product installation process.

Current economic uncertainty is a key factor to consider in terms of the potentially negative effect it may have on the viability of firms that manufacture Mobicom and Mobiguard equipment. This situation could have an impact on our supply function or on the cost of supplies and thus affect our gross margin. Although there is no present indication that this will occur, current economic

uncertainty could have an influence on our equipment vendors in terms of pricing and the availability of supplies. The Corporation has vendors in Canada and in Asia and intends to monitor their financial situations closely.

Operating Expenses

Operating expenses consist of general and administrative expenses, operating expenses, sales and marketing expenses, research and development expenses and research and development tax credits.

General and Administrative

General and administrative expenses relate primarily to costs associated with administrative personnel, professional fees, occupancy, insurance and other 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 as a proportion of revenue, with the exception of those associated with bad debt.

During the second quarter of 2009, General and administrative expenses dropped \$0.216 million, or 37.3%, compared the same period in 2008. For the six-month period ended June 30 2009, expenses dropped \$0.629 million or 43.5% from to the same period in 2008.

This reduction was largely due to implementation of the cost and revenue alignment plan in the second quarter of 2008 which also included \$0.060 million in payments related to employee layoffs.

Sales and Marketing

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

During the second quarter of 2009, these expenses stood at \$0.282 million, compared with \$0.563 million for the same period in 2008, representing an important decrease of \$0.282 million, or 50%. For the six-month period ended June 30 2009, these expenses stood at \$0.608 million compared to 1.211 million, a decrease of \$0.603 million or 49.8% compared to the same period in 2008.

This decrease is mainly due to an lower number of employees with their related expenses compared to 2008 and a reduction in expenses for printed material, tradeshows and commissions.

Operations

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

During the second quarter of 2009, Operating expenses dropped \$0.140 million, or 57.8%, compared to the same period in 2008. For the six-month period ended June 30 2009, expenses dropped \$0.253 million or 52.6% compared to the same period in 2008.

This decrease is primarily due to a reduction of expenses related to the halt in Mobilus and Vigil sales.

Research and Development

Research and development expenditures primarily consist of personnel, consulting and material costs. These expenses are presented on a gross basis (before deducting research and development tax credits). Research and development tax credits are shown separately.

During the second quarter of 2009, Research and development expenses decreased by 56.3% to \$0.155 million, compared with the \$0.354 million invested in this area in the same period of 2008. For the six-month period ended June 30 2009, expenses decreased by 48.1% at \$0.349 million compared to \$0.672 million invested in the same period in 2008.

This decrease is mainly due to a department restructuring and personnel reduction which was completed at the end of 2008. The Corporation continues to invest in research and development but limits the fixed costs related to internal resources for this purpose and ensures its future growth by turning to products developed by third parties.

The Corporation did not record any research and development tax credit to be received of \$0.0 million for the second quarter of 2009, which is \$0.071 million less than the amounts provisioned for the same period in 2008. For the six-month period ended June 30 2009, \$0.012 million was recorded compared to \$0.116 for the same period in 2008.

Other Financial Expenses (Revenue)

Other financial expenses (revenues) are made up of interest earned on bank balances, net bank charges, credit card interest charges, bank charges and foreign exchange gains or losses.

Since bank charges are relatively stable, changes in other financial expenses are primarily due to fluctuations in bank balances and foreign exchange rates.

For the three-month period ended June 30 2009, the Corporation recorded a gain totalling \$10,605 comprised of interest earned of \$41,090, bank charges of \$13,415 and a foreign exchange loss of \$17,070 compared with a \$972 loss for the same period in 2008 comprised of interest earned of \$37,477, bank charges of \$36,661 and a foreign exchange gain of \$1,788.

For the six-month period ended June 30 2009, the Corporation recorded a loss of \$2,504 comprised of interest earned of \$59,643, bank charges of \$28,805 and a foreign exchange loss of \$33,342 compared with a gain of \$47,274 for the same period in 2008 comprised of interest earned of \$100,749, bank charges of \$63,327 and a foreign exchange gain of \$9,851.

Amortization of Intangible Assets

In 2008, the Corporation revaluated the intangible assets that had been created following its acquisition of Vigil due to the closure of the analogue networks and the halt in sales of Mobilus and Vigil security products. An amount of \$7,400 was booked under the amortization heading for the second quarter of 2009, and \$14,800 for the six-month period ended June 30 2009. All intangible assets will have been amortized as at December 31, 2010.

Depreciation and Amortization

Depreciation and amortization pertains to tangible fixed assets. The amortization value of \$31,819 for the second quarter of 2009 was relatively stable from the same period in 2008 which was valued at \$30,852 and \$67,122 for the six-month period ended June 30 2009 compared to \$66,274 for the same period in 2008. This is due to the fact that no major acquisitions took place in 2008.

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.

During the second quarter of 2009, the Corporation recorded a stock-based compensation expense of \$12,400 compared to a \$6,300 expense for the same period in 2008. For the six-month period ended June 30 2009, an expense of \$24,800 was recorded compared to \$12,600 for the same period in 2008.

V. ACCOUNTING POLICIES

Changes in accounting policies

In February 2008, the Canadian Institute of Chartered Accountants (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 adoption of this new section had no impact on the Corporation 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. The adoption of this new section had no impact on the Corporation Financial Statements.

Changes in accounting policies to be adopted in the future

In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1 2011. Companies will be required to provide IFRS comparative information for the previous year. Accordingly, the conversion from GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company did not evaluate the impacts of the transition to IFRS on accounting, financial reporting, internal control over financial reporting, taxes, IT systems and processes as well as certain contractual arrangements. Considering the current discussions with BSM Wireless regarding a business combination, the company will assess the impacts of the transition to IFRS in the next two quarters to afterwards elaborate a transition schedule for the deployment of the transition plan.

VI. CURRENT SHARE CAPITAL AS AT JUNE 30, 2009

The share capital of the Corporation consists of an unlimited number of common shares.

Share capital:

Issued and paid share capital:

Unlimited number of common shares, with no par value

	June 30 2009	December 31 2008
27,951,221 common shares	\$ 31,350,346	\$ 31,350,346

No new share capital was issued since December 31, 2008.

VII. LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet

<i>(Amounts in thousands of dollars, except where indicated otherwise)</i>	June 30 2009	December 31 2008
Working capital	\$3,148	\$3,443
Working capital ratio	3.55 : 1	2,61 : 1
Long-term debt (including obligation under capital lease and current portion)	\$87	\$117
Common shares <i>(in dollars)</i>	\$31,350	\$31,350
Stock purchase warrant <i>(in dollars)</i>	\$2,111	\$2,111
Contributed surplus <i>(in dollars)</i>	\$179	\$154

Management is confident that in the normal course of business the current working capital position is adequate to fund the Corporation's operations for the next 12 months.

Statement of cash flow summary

<i>(Amounts in thousands of dollars)</i>	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
Operating activities	\$ (919)	\$ (362)	\$(85)	\$(1,876)
Financing activities	(5)	(34)	(38)	(43)
Investing activities	-	-	(6)	(11)
Net decrease in cash and cash equivalents	\$(924)	\$(396)	\$(129)	\$ (1,930)

Operating Activities

Operating activities for 2009 utilized \$0,924 million of cash for our operating activities during the three-month period ended June 30, 2009 compared with the \$0,396 million utilized for the same period in 2008. For the second quarter of 2009, the utilization of operating activity funds primarily resulted from Increase in the accounts receivables and payments to suppliers.

For the six-month period ended June 30 2009, operating activities utilized \$0.129 million compared to \$1,930 million for the same period in 2008, resulting primarily from Research and development tax credits receipt.

Financing Activities

In the second quarter of 2009, funding used in financing activities totalled \$0.005 million, compared to \$0.009 million for the same period in 2008. For the six-month period ended June 30 2009, funding used totalled \$0.038 million compared to \$0.043 million for the same period in 2008. This expense is related to the reimbursement of obligations pertaining to capital leasing contracts

Investment Activities

During the second quarter of 2009 and 2008, investment activities consisted of the acquisition of capital assets.

VIII. 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. As at June 30, 2009, the Corporation's long-term debt consists of an interest free loan from Canada Economic Development with a remaining obligation of approximately \$49,000 and an amount to be paid pertaining to the termination of an agreement of \$41,000.

The following table sets forth the contractual obligations and commitments of the Corporation to make future payments under contracts as at June 30th, 2009.

<i>Amounts In thousands of dollars</i>	Total	2009	2010	2011	2012	2013+
Long-term debt	49	25	24	-	-	-
Capital lease obligations	3	3	-	-	-	-
Operating lease obligations	17	4	9	4	-	-
Office rent	243	86	157	-	-	-
Total	312	118	190	4	-	-

The Corporation does not have any off-balance sheet arrangements other than as disclosed under this section.

IX. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

In the normal course of business, the Corporation evaluates the financial condition of our customers and reviews the creditworthiness of all new customers. The Corporation determines an allowance for doubtful accounts to reflect specific customer risk. In establishing its provision for doubtful accounts, the Corporation considered a more difficult financial environment compared to 2007 and early 2008.

X. OUTLOOK

Subject to the required approvals, a transaction with BSM Wireless is expected to generate cost synergies and drive an improved cost structure. Based on both corporations' last reported financial results, it is expected that the resulting corporations would have approximate pro forma assets of \$11.3 million, and annual revenues of approximately \$18 million

Management expects revenues from Mobicom sales to remain stable in 2009 despite a difficult economic environment. The demand for Mobicom products is so far higher than the same period of 2008 and is slightly higher our budget forecasts. We believe our product is an excellent tool for helping customers control and reduce their operating costs. This factor clearly represents a plus in the current environment. The introduction of “all-inclusive” plans in 2008 and the reduction of equipment prices also help to maintain our product’s competitiveness.

Management continues to review all of its activities in view of boosting organizational performance, cutting expenses and improving products and services. The Corporation will assess the possibility of introducing new products and functionalities to its Mobicom line as a means of boosting revenues.

Current economic uncertainty could adversely affect the sale of Mobiguard products in 2009, since such sales are directly related to new vehicle sales. Furthermore, insurance companies, which are concerned about their own competitiveness, may ease their requirements for the installation of security systems such as Mobiguard. Management expects a slight decline in Mobiguard sales for 2009, compared with 2008 and management cannot predict how the market for this product will evolve over the near term.

Because of the termination of analogue service in November 2008 and following the decision to halt the sale of Mobilus and Vigil security products, 2009 annual revenues will be less than those of 2008. However, the resulting reduction in operating expenses should allow the Corporation to improve its profitability in 2009

The December 2008 restructuring of the Research and Development Group, which resulted in a significant decline in its number of employees, reflects an important change in direction for the Corporation. Datacom now plans to continue investing in research and development by cutting the fixed costs involved in using internal resources for this purpose. It will ensure its future growth by utilizing products developed by third parties.

XI. RISKS AND UNCERTAINTIES

Several inherent risks on the level of the daily operations of the Corporation can have an impact on the future financial results. The most significant risks are:

- We have not yet achieved profitability nor have we achieved the critical mass required in order to ensure our long-term viability and there is no guarantee we will.
- Our ability to penetrate our core markets further and existing geographic markets or to expand our business nationally and internationally successfully is subject to numerous factors, many of which are beyond our control. We cannot guarantee that our efforts will be successful. Our failure to do so could have a material adverse effect on our business, financial condition and/or results of operations.
- We depend on several suppliers to provide us with critical electronic components for our products and services. There is no assurance that we will not experience some delays or difficulties for our components provisioning and/or network coverage, which are imperative to meet our anticipated growth objectives. The economic uncertainty is an important factor to consider given the potential negative impact on the financial viability of our suppliers for Mobicom and Mobiguard. This situation could also impact our supply or cost of supply and impact negatively our Gross Margin.
- We have relationships with several suppliers certain of which may also be considered competitors and service providers upon which we depend to provide critical components for our products and services. In the event that we are unable to maintain these relationships or establish relationships with new suppliers or service providers as required, the availability, pricing and quality of our products and services may be adversely affected thereby negatively impacting our business operating results and financial condition. Relationships with third party suppliers and service providers expose us to risks associated with the integrity, quality, reputation, solvency and performance of such parties.
- In the current economic context, Management did not find acceptable financings options for our All Inclusive sales programs. Our inability to find such financing as a temporary impact on our cash flow that the Management accounted for in its forecasts for 2009.
- In recent years and months, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. Investors should assume that markets and share prices will continue to fluctuate in the future. Investors should also assume that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success we may have in creating revenues, cash flows or earnings. The value of our securities will be affected by such volatility.
- Our share price may also experience significant fluctuations due to operating performance, performance relative to analysts' estimates, disposition or acquisition by a large shareholder, a lawsuit against us, the loss or acquisition of a significant customer or distributor, industry-wide factors and factors other than our operating performance. These factors among others may cause decreases in the value of the Common Shares

- Our results could be adversely affected by changing economic conditions in the local or national markets in which we operate.
- Our success will be dependent on our ability to market our products and services in an uncertain economy. There is no guarantee that our products and services will remain competitive. There is no guarantee we will be able to respond to market demands. If we are unable to effectively develop and expand the market for our products and services, our growth may be adversely affected.
- We provide our customers with a limited warranty on our products. Despite quality control procedures, there is no assurance that our provision for this warranty is adequate. If there is a malfunction or error that affects a significant number of our products, the cost to repair, replace or recall these products or component parts could materially adversely affect our operations and financial position.

Mobicom, Mobilus, Mobiguard Vigil and HIKO are trademarks of Datacom Wireless Corporation.
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