

DATACOM WIRELESS CORPORATION
ANNUAL MANAGEMENT REPORT
Period Ended December 31, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

This report is a review of the financial results and the financial situation of Datacom Wireless Corporation for the Period Ended December 31, 2008. These comments must be read in conjunction with the audited 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 audited 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.

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 as at April 23rd, 2008.

I. 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, unless applicable securities regulations so require. The reader is cautioned not to place undue reliance on forward-looking statements.

II. 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.

III. NON-GAAP FINANCIAL MEASURES

EBITDA (earnings before interest, taxes, depreciation, amortization, write-down of intangible assets and write-off of goodwill) is used to compare operating results from one period to another. EBITDA before unusual items and the provision related to Vigil products (Adjusted EBITDA) is also a measure used to evaluate performance. EBITDA or Adjusted EBITDA is not an earnings measure recognized by GAAP and does not have a standard meaning prescribed by GAAP. The method for calculating EBITDA or Adjusted EBITDA may differ from that used by other companies under the same designation.

The reader is advised that EBITDA or Adjusted EBITDA should not be substituted for determined net income as an indicator of operating results in line with GAAP, or for capital flows from operating and investing activities as a measure of liquidity and cash flow. The financial indicator that conforms to GAAP and is the closest to EBITDA or Adjusted EBITDA is net loss.

IV. HIGHLIGHTS OF 2008

The year 2008 was marked by major changes for the Corporation. First, a strategic realignment was launched at the end of the first quarter to permit a review of all activities and to allow the Corporation to meet its growth and profitability targets. This exercise resulted in an initial major reorganization.

Management completed an additional cost reduction plan resulting in further layoffs following the announcement of the closure of analogue networks and the decision to stop selling Mobilus and Vigil security products in the second quarter,

Finally, to maximize use of its capital in an uncertain economic environment, the Corporation revised its deployment plans outside Quebec, shutting its sales office in Alberta and trimming its sales team in Ontario.

This set of events culminated in a major reorganization of Datacom's activities in 2008, making comparison very difficult with results from the prior year, when an IPO was held.

Despite all of these changes, management believes that the Corporation has succeeded in meeting major challenges and has achieved highly encouraging results looking forward.

Increased Revenues

Sales rose \$1.497 million in 2008 over 2007, or 19%, despite an estimated \$230,000 drop in revenue for the last quarter due to the loss of recurring analogue income and a loss of proceeds estimated at over \$250,000 due to the halt in sales of Mobilus and Vigil digital products.

For the period ended December 31, 2008, the Corporation significantly increased revenues from Mobicom, its flagship product. In fiscal 2008, 1,889 Mobicom units were sold, up 54.7% from the 1,221 sold in the 2007 period.

The Corporation also enjoyed a substantial 92.5% rise in 2008 sales of its consumer product, with a total 16,851 Mobiguard units sold during that period, compared with 8,753 for the 12 months ending December 31, 2007.

Revenues were adversely affected beginning in the third quarter because of the halt in sale of digital security products to the consumer sector. The fourth quarter shutdown of analogue networks had an even greater impact. The annual loss of recurring revenue in 2009 from analogue security products is estimated at some \$1.1 million. Although the Corporation has stopped selling security products, those digital units that remain active will continue to generate recurring revenue until December 31, 2010.

Rise in Gross Margin

The Corporation is particularly pleased by the rise in its growth margin during 2008. This figure climbed 8 percentage points to 45.9% in 2008, compared with 37.9% in 2007. During the past two quarters, while revenues were down due to the closure of analogue networks and the halt in sale of digital security products, the Corporation managed to maintain a margin of better than 45%, demonstrating the effectiveness of its cost control programs.

Expense reductions

Corporate management made a major effort to reduce expenses throughout the period, particularly in staffing. As at December 31, 2008 the Corporation had 53 employees, 30 less than at December 31, 2007, for a 36% reduction in staff. These figures do not include another 6 employees terminated after the 2008 period due to the closure of the Alberta sales office and downsizing of the Ontario sales force.

The Corporation made major reductions in its operating expenses, excluding tax credits, in each quarter of 2008, dropping from \$2.073 million, or 94% of revenues, for the first quarter of 2008 to \$1.344 million, or 64.7% of revenues, for the fourth quarter of 2008.

Review of Activities Outside Quebec

Based on results for fiscal 2008 and in view of the uncertainty afflicting the Canadian economy, management decided to review its deployment plan outside Quebec to maximize use of its capital. It consequently closed its Alberta sales office and substantially reduced its Ontario sales team. These changes, which occurred after fiscal 2008, resulted in the elimination of an additional six positions. Management intends to continue monitoring the situation and to seize on opportunities arising outside Quebec, in consideration of the general economic situation and the Corporation's financial capabilities.

Termination of Analogue Service

With the shutdown of the analogue networks, nearly 8,500 Mobilus and Vigil security units stopped transmitting and receiving signals, making it impossible to detect the theft or track the location of the equipment to which they were connected. The recurring revenue generated by these units was accordingly lost as of November 2008.

The Corporation completed the efforts it had initiated in the second quarter with respect to the termination of analogue service. All customers affected by the service termination that occurred November 16, 2008 were notified by letter and any refunds for service not provided were given in the last quarter of 2008. We also concluded agreements with our principal customers.

Cost Reduction Plan Follow-Up

Although management predicted in the second quarter of 2008 that an amount of \$525,000 would be required to implement a plan to reduce costs and expenditures relating to agreements concluded with our principal clients with respect to the termination of analogue service, an amount of \$444,000 was included in the expenses as at December 31, 2008 and no other amount has been set aside for this purpose in 2009. This amount appears under the Unusual Items heading in the Statement of Earnings.

End of Mobilus and Vigil Sales

Based on an economic analysis demonstrating that this sector of activity would not be profitable once the analogue networks had ceased operation, the Corporation stopped selling Mobilus and Vigil digital security products in the third quarter and instead focused its efforts and financial resources on the sale of Mobicom, its flagship product, while continuing to sell Mobiguard.

Introduction of All-Inclusive Packages and Price Reductions

In response to the economic situation and our competitive environment, the Corporation has deployed two strategies that have had a positive impact on the number of Mobicom units sold and on our ability to boost recurring revenues. These strategies involve discount pricing for the equipment and the implementation of a new "all-inclusive" price plan during the course of the year that allows customers to pay a fixed monthly rate, if they wish, to cover the cost of equipment and service for a three-year period. These decisions, which will continue to generate recurring revenues, had a very positive impact on 2008 sales. More importantly, we are convinced that this payment system will, in the current economic environment, increased our competitiveness, facilitating consumer access to our products and improving customer return on investment.

Organizational Changes

The Board of Directors has created an organizational structure well suited to the Corporation's priorities. Pierre Collins left the Corporation during the period and Pierre Bélanger, a member of Datacom's Board since 2005, was appointed Acting President and Chief Executive Officer. Eric Morin, Vice President, Operations, was named General Manager, in charge of the Corporation's day-to-day activities. Marc Bouchard, Vice President, Finance, left the Corporation and was replaced by Nathalie Dupuis, as Director, Finance.

Business Intelligence and Customer Applications

The Corporation has set up new CRM analysis tools to improve our customer relations and our processes and stimulate growth of our existing customer base. These tools help us shorten the sales cycle and increase our success with opportunity management functionalities and an integrated contract generation module. Such tools help us improve our sales forecasts and the accuracy of our data, better assess team performance and back up the sales force with a new telemarketing station.

Interfaces have also been redesigned to improve their ergonomics and the general customer experience. Deployments comprising additional functionalities have been produced in response to feedback from certain customers. Maps have also been updated. These factors clearly set our service apart from that of the competition.

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. The original agreement between the Corporation and Emerson Electric Co., which provides for the payment of royalties to Datacom based on the number of units sold, ended in July 2008. Following expiration of the original contract, the Corporation continues to receive monthly royalties under its terms. Discussions on a longer-term renewal of this agreement are still underway.

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.

V. YEAR ENDED DECEMBER 31, 2008

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

Selected Financial Information

	Periods Ended December 31		
	2008	2007	2006
<i>(Amounts in thousands, except for per share data)</i>			
Revenue	\$9,388	\$7,891	\$7,250
Gross margin	4,306	2,992	2,976
Operating expenses	6,082	5,934	4,221
Financial (revenues) expenses	(99)	955	1,989
Stock-based compensation	32	201	-
Write-off of inventory	-	110	-
Depreciation and amortization	130	137	141
Amortization of intangible assets	82	45	-
Loss on disposal of assets	486	-	-
Unusual Items	444	-	-
Write-off of Goodwill	604	-	-
Provision related to Vigil products	(242)	-	-
Net Loss	\$ (3,213)	\$ (4,390)	\$ (3,375)
Net loss per share:			
Basic and fully-diluted	\$ (0.11)	\$ (0.27)	\$ (3.75)
Weighted average number of shares	27, 988,745	16, 474,774	900,000

The following table represents a non-GAAP measure that management believes is useful for comparing results with other companies in its sector.

Net Loss to EBITDA and Adjusted EBITDA Reconciliation

	Periods Ended December 31		
	2008	2007	2006
<i>(Amounts in thousands, except for per share data)</i>			
Net Loss	\$ (3,213)	\$ (4,390)	\$ (3,375)
Financial (revenues) expenses	(99)	955	1,989
Amortization of intangible assets	130	137	141
Depreciation and amortization	82	45	-
Devaluation of Intangible assets	486	-	-
Write-off of Goodwill	604	-	-
EBITDA	\$ (1,606)	\$ (3,253)	\$ (1,245)
Unusual Items	444	-	-
Provision related to Vigil products	(242)	-	-
Adjusted EBITDA	\$ (1,808)	\$ (3,253)	\$ (1,245)
Adjusted EBITDA per share:			
Basic and diluted	\$ (0.06)	\$ (0.20)	\$ (1.38)
Weighted average number of shares	27, 988,745	16, 474,774	900,000

Revenue

Revenue is generated through the sale of telematic 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.

For the 12 months ended December 31, 2008, revenue stood at \$9.388 million, up 19% from the \$7,891 million earned over the same period in 2007. This growth in revenue was primarily due to increased recurring revenue and to the increased number of Mobicom and Mobiguard units sold.

Revenue from recurring services climbed 23.3% year-on-year, rising from \$3.563 million in 2007 to \$4.392 million in 2008. Recurring revenue as at December 31, 2008 represented 46.8% of total revenue. This figure compared favourably with December 31, 2007, when recurring revenue represented 45.2% of the total, despite a fourth quarter decline in recurring revenue due to the termination of analogue service and the halt in Mobilus and Vigil sales. For this reason, we anticipate a drop of some \$1.1 million in recurring revenue from security products in fiscal 2009.

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

Current economic uncertainty has not, through the present, adversely affected demand for Mobiguard products. We must, however, consider the possibility that this situation will 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. This situation would hurt our sales.

Economic uncertainty has not reduced demand for Mobicom products to date. We believe the introduction of "all-inclusive" and other packages is helping our product keep its edge. A marked economic slowdown would negatively affect our client base, however and could 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 45.9% of revenues in 2008, at 37.9% of revenue in 2007 and at 41% in 2006. In dollars, gross margin climbed \$1.314 million, or 44%, from 2007 to 2008, compared with \$0.016 million or 0.05% from 2006 to 2007.

This rise is primarily due to a decrease in our equipment costs and a decline in our network expenses following the deployment of monitoring and control tools and through efficient management of our product installation process. The Corporation not only plans to maintain, but to improve this margin in 2009.

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.

Following a major reorganization in 2008, the Corporation's operating expenses varied significantly from quarter to quarter.

Net operating expenses in 2008 generally remained stable, climbing from \$5.933 million to \$6.082 million, for a \$0.149 million, or 2.5%, rise. This slight increase is due to a hike in sales and marketing and operating expenses, partly offset by a reduction in research and development costs.

General and Administrative Expenses

	Periods Ended December 31				
	2008	Variation	2007	Variation	2006
General and administrative expenses	\$2,375	-4.8%	\$2,495	45.4%	\$1,716
As a % of revenue	25.3%		31.6%		23.7%

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.

General and administrative expenses in 2008 declined \$0.120 million, or 4.8%, from fiscal 2007. This easing was largely due to implementation of the cost reduction plan in the second quarter of 2008.

Costs relating to general and administrative expenses decreased substantially from quarter to quarter, dropping from \$0.868 million in the first quarter of 2008, to \$0.579 million in the second and to \$0.427 million in third, before climbing to \$0.501 million in the fourth. The fourth quarter rise was due to year-end adjustments, such as an increase of some \$23,000 in the bad debt provision given the economic uncertainty, of some \$47,000 for layoffs (to be paid in early 2009) and a \$20,000 adjustment in rental costs.

Sales and Marketing

	Periods Ended December 31				
	2008	Variation	2007	Variation	2006
Sales and marketing	\$2,154	21.7%	\$1,769	18.7%	\$1,490
As a % of revenue	22.9%		22.4%		20.6%

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.

For the 12 months ended December 31, 2008, these expenses stood at \$2.154 million, compared with \$1.769 million in 2007, representing a \$0.385 million, or 21.7%, increase. The rise in expenses was primarily due to the growth in salaries and sales commissions resulting from the addition of sales staff early in 2008.

Since the beginning of the year, however, expenses relating to sales and marketing constantly declined, quarter after quarter. They dropped from \$0.648 million in the first quarter, to \$0.563 million in the second quarter, to \$0.516 million in the third quarter and to \$0.427 million in the fourth quarter. This reduction is primarily due to the restructuring of the sales force.

In view of the additional reduction of staff in early 2009, the Corporation expects to trim these expenses further in 2009.

<i>Operations</i>					
<i>(Amounts in thousands)</i>					
	Periods Ended December 31				
	2008	Variation	2007	Variation	2006
Operations	\$914	17.9%	\$775	9.3%	\$709
<i>As a % of revenue</i>	<i>9.7%</i>		<i>9.8%</i>		<i>9.7%</i>

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 automatically result in an increase of such expenses.

Operating expenses rose \$0.139 million, or 17.9%, from 2007. This increase is directly due to the 92.5% year-on-year growth in Mobiguard sales.

Operating expenses will decline due to the closure of analogue networks and to the halt in sales of Mobilus and Vigil security products for 2009.

<i>Research and Development</i>					
<i>(Amounts in thousands)</i>					
	Periods Ended December 31				
	2008	Variation	2007	Variation	2006
Research and Development	\$1,181	-4.9%	\$1,242	17.2%	\$1,060
<i>As a % of revenue</i>	<i>12.6%</i>		<i>15.7%</i>		<i>14.6%</i>
Research and development tax credits	(\$541)	56%	(\$347)	-54.0%	(\$754)
<i>As a % of revenue</i>	<i>-5.77%</i>		<i>-4.4%</i>		<i>-10.4%</i>
Net investment in research and development	\$640	-28.4%	\$895	192.5%	\$306
<i>As a % of revenue</i>	<i>6.8%</i>		<i>11.3%</i>		<i>4.2%</i>

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.

Research and development expenses in fiscal 2008 dropped a slight 4.8% to \$1.181 million, compared with the \$1.242 million invested in this area in 2007.

The Corporation laid off five research and development group employees in December 2008. This restructuring reflects a change in the Corporation's strategy with respect to the past. 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 turning to products developed by third parties.

The Corporation recorded a research and development tax credit to be received of \$0.986 million in 2008, which was \$0.341 million more than the amounts provisioned in 2006 and 2007. The provision for the income tax credit of 2008 is lower than 2007 given the fact that, as a publicly traded company, the Corporation is only eligible to provincial tax credits.

Financial (Revenues) Expenses

Net financial expenses mainly consist of imputed interest on redeemable preferred shares, interest on promissory notes, amortization of deferred financing costs, interest income, exchange rate losses (gains), losses on the conversion of preferred shares into common shares and other expenses.

(Amounts in thousands)	Periods Ended December 31				
	2008	Variation	2007	Variation	2006
Imputed interest on redeemable preferred shares	-	-100%	\$738	-55.9%	\$1,674
Interest on promissory notes	-	-100%	\$99	-3.9%	103
Amortization of deferred financing costs	-	0%	-	-100%	82
Loss on conversion of preferred shares into common shares	-	-100%	172	100%	-
Interest income	(150)	-21.5%	(191)	354.8%	(42)
Other expenses	49	-63.8%	138	-20.3%	172
	\$99	-90%	\$955	-52.0%	\$1,989

Imputed Interest on Redeemable Preferred Shares

The imputed interest on redeemable preferred shares and on promissory notes relates to redeemable preferred shares issued between 2003 and 2005 and to promissory notes issued in 2006 and 2007. Immediately prior to the closing of the Corporation's initial public offering (IPO), which took place on June 6, 2007, all redeemable preferred shares and promissory notes, in addition to the cumulative imputed interest and dividends, were automatically converted into common shares as part of the Corporation's capital restructuring

Amortization of Deferred Financing Costs

The amortization of deferred financing costs relates to redeemable preferred shares and warrants. When the redeemable preferred shares and promissory notes were automatically converted into common shares, the financing costs were written off and recorded in the income statement under amortization of deferred financing costs.

Other Financial Expenses

Other financial expenses 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.

The Corporation recorded foreign exchange gain totalling \$45,724 during the twelve-month period ended December 31st 2008, compared with a \$9,443 loss for same period in 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 2008 the Corporation recorded stock-based compensation of \$0.032 million, compared with an expense of \$0.201 million in 2007.

Write off of Inventory

In 2007, the Corporation wrote off \$0.110 million in inventories following a change of supplier.

Depreciation and Amortization

Depreciation and amortization pertains to tangible fixed assets. The amortization value was relatively stable from 2007 to 2008 due to the fact that no major acquisitions took place in 2007.

Devaluation and amortization of Intangible Assets

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. These assets were revaluated as \$74,000, creating a devaluation charge of \$486,000. This revaluation had no impact on the Corporation's cash flow. Furthermore, an amount of \$82,000 was booked under the amortization heading in 2008. All intangible assets will have been amortized as at December 31, 2010.

Unusual Items

Following the closure of the analogue networks and the decision to stop selling Mobilus and Vigil security products, the Corporation set up a cost reduction plan involving the disbursement of \$150,160 in severance pay, finalized agreements with its principal customers with respect to the termination of this activity for an amount of \$207,807, incurred various legal and administrative charges of \$50,835 and wrote off \$35,145 in obsolete inventory.

Goodwill

The \$603,909 of goodwill listed in the Financial Statements of December 31, 2007 was created following the acquisition of substantially all of the tangible and intangible assets of Vigil Locating Systems Corp., a Canadian firm specializing in the design, development and marketing of protection, detection and tracking systems for stolen vehicles. Following the October 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.

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.

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.

VI. QUARTERLY RESULTS OF OPERATIONS

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

Selected Financial Information

<i>(Amounts in thousands, except for per share data)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Revenue	\$1,663	\$2,052	\$2,131	\$2,045	\$2,201	\$2,650	\$2,444	\$2,093
Gross margin	\$691	\$768	\$785	\$747	\$950	\$1,251	\$1,140	\$965
Operating expenses	\$1,127	\$1,348	\$1,721	\$1,737	\$2,027	\$1,667	\$1,426	\$962
Financial expenses	\$561	\$523	(\$88)	(\$41)	(\$48)	1	(\$15)	(\$37)
Stock-based compensation	-	\$114	\$62	\$25	\$6	\$6	\$9	\$11
Write-off of Inventory	-	-	-	\$110	-	-	-	-
Depreciation and amortization	\$28	\$29	\$22	\$59	\$36	\$31	\$33	\$30
Amortization of intangible assets	-	-	\$10	\$35	\$34	\$34	\$7	\$7
Devaluation of Intangible assets	-	-	-	-	-	\$486	-	-
Unusual Items	-	-	-	-	-	-	\$92	\$352
Write-off of Goodwill	-	-	-	-	-	-	-	\$604
Provision related to Vigil products	-	-	-	-	-	-	-	(\$242)
Net loss	(\$1,025)	(\$1,245)	(\$942)	(\$1,178)	(\$1,105)	(\$974)	(\$412)	(\$722)
Net loss per share:								
Basic and fully-diluted	(1.14)	(0.15)	(0.03)	(0.04)	(0.04)	(0.03)	(0.01)	(0.03)

The following table represents a non-GAAP measure that management believes is useful for comparing results with other companies in its sector.

Net Loss to EBITDA and Adjusted EBITDA Reconciliation

<i>(Amounts in thousands, except for per share data)</i>	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Net loss	(\$1,025)	(\$1,245)	(\$942)	(\$1,178)	(\$1,105)	(\$974)	(\$412)	(\$722)
Financial expenses (revenue)	\$561	\$523	(\$88)	(\$41)	(\$48)	\$1	(\$15)	(\$37)
Depreciation and Amortization	\$28	\$29	\$22	\$59	\$36	\$31	\$33	\$30
Amortization of intangible asset	-	-	\$10	\$35	\$34	\$34	\$7	\$7
Devaluation of Intangible assets	-	-	-	-	-	\$486	-	-
Write-off of Goodwill	-	-	-	-	-	-	-	\$604
EBITDA	(\$436)	(\$693)	(\$999)	(\$1,125)	(\$1,083)	(\$422)	(\$387)	(\$118)
Unusual Items	-	-	-	-	-	-	\$92	\$352
Provision related to Vigil products	-	-	-	-	-	-	-	(\$242)
Adjusted EBITDA	-	-	-	-	-	-	(\$295)	(\$8)
Adjusted EBITDA per share	-	-	-	-	-	-	-	-
Basic and diluted	(\$0.48)	(\$0.09)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.015)	(\$0.01)	\$0

Sales

In the fourth quarter, 584 Mobicom units were sold, compared with 284, or 106%, for the same period in 2007.

In the fourth quarter, 4,355 Mobiguard units were sold, up 119% from the 1,989 sold for the same period in 2007.

Revenue for the fourth quarter of 2008 stood at \$2.093 million, up 2.3% from fourth quarter 2007 revenue of \$2.045 million. The increase in revenue is not proportional to the increase in sales volume due to the halt in sales of Mobilus and Vigil security products creating a loss of revenue of \$0.290 million in the fourth quarter in addition to the loss of the associated recurring revenue.

Recurring revenue dropped 8.71% year-on-year, from \$1.08 million for the fourth quarter of 2007 to \$0.986 million for the same period in 2008. Recurring revenue represented 47.1% of total revenue generated in the fourth quarter of 2008. This figure is lower when compared with the same period in 2007, when recurring revenue accounted for 52.7% of total revenue. An estimated \$0.34 million decline in recurring revenue in the fourth quarter of 2008 was due to the termination of analogue service. The annual loss of recurring revenue for analogue security products is forecast at some \$1.1 million for 2009.

Gross Margin

The gross margin of \$0.965 million was up \$0.218 million from that of the fourth quarter of 2007, representing a gross margin equal to 46.1% of revenue for the fourth quarter of 2008, up 9.5 percentage points from the 36.6% gross margin for the same period in 2007.

This increase is primarily due to decreased equipment prices and a reduction in our network costs following the implementation of follow-up and control tools and through efficient management of our product installation process.

Although gross margin declined \$0.175 million, or 15.4%, from the third to fourth quarter of 2008, dropping from \$1.140 million to \$0.965 million, the reduction in cost of sales served to keep the margin at 45.9%, down a slight 0.7percentage points from the 46.6% of the third quarter. This decrease is primarily due to the loss in recurring revenue for analogue units and sales of analogue units and a slight downturn in the number of Mobiguard units sold.

Operating Expenses (Revenue)

General and Administrative Expenses

(Amounts in thousands)

	Three Months Ended December 31		
	2008	Variation	2007
General and administrative expenses	\$501	-32.8%	\$745
<i>As a % of revenue</i>	<i>24%</i>		<i>36.4%</i>

During the fourth quarter, general and administrative related expenses dropped \$0.244 million or 32.8% compared to the same period in 2007.

This decrease is primarily explained by the execution of the expenses cuts program which was implemented in the second quarter 2008.

Sales and Marketing

<i>(Amounts in thousands)</i>	Three Months Ended December 31		
	2008	Variation	2007
Sales and marketing	\$427	-17.7%	\$519
<i>As a % of revenue</i>	20.4%		25.4%

Sales and marketing expenses dropped \$0.092 million, or 17.7%, from the same period in 2007. Sales and marketing expenses declined steadily from the start of the year and through each quarter. They reduced from \$0.648 million in the first quarter, to \$0.563 million in the second, to \$0.516 million in the third and to \$0.427 million in the fourth. This reduction was primarily due to the restructuring of the sales force.

Research and Development

<i>(Amounts in thousands)</i>	Three Months Ended December 31		
	2008	Variation	2007
Research and development	\$215	-41.7%	\$369
<i>As a % of revenue</i>	10.3%		18.0%
Research and development tax credits	(\$381)	193.1%	(\$130)
<i>As a % of revenue</i>	-18.2%		-6.4%
Net investment in research and development	(\$165)	-169%	\$239
<i>As a % of revenue</i>	-7.9%		11.7%

Research and development expenses stood at \$0.215 million in the fourth quarter. This figure was \$0.154 million or 41.7% less than the \$0.369 million invested over the same period in 2007.

The Corporation laid off five research and development group employees in December 2008. This restructuring reflects a change in the Corporation's strategy. Datacom now plans to continue investing in research and development at a lower level and use products developed by third parties.

In the fourth quarter of 2007, we received research and development tax credits that had been claimed for the fiscal periods ended December 31, 2006. The value of research and development tax credits received exceeding the \$0.341 million provision in the books was applied to the reduction of associated charges.

Furthermore, since the completion of the IPO, the amount of the research and development tax credit was reduced to reflect existing rates for public corporations.

Operations

<i>(Amounts in thousands)</i>	Three Months Ended December 31		
	2008	Variation	2007
Operations	\$200	-14.5%	\$234
<i>As a percent of revenue</i>	9.5%		11.4%

Operating expenses dropped \$0.04 million, or 14.5%, with respect to the same period in 2007. This decrease is related to the closure of the analogue networks. Operating expenses primarily relate to wages for customer service and alarm central employees.

Depreciation and Amortization

The "Depreciation and Amortization" heading pertains to fixed assets. Amortization values were relatively stable from 2007 to 2008, because no major acquisitions occurred in 2008.

Financial (Revenues) Expenses

<i>(Amounts in thousands)</i>	Three Months Ended December 31		
	2008	Variation	2007
Interest income	\$ (19)	-78.7%	\$ (89)
Other financial expenses (revenue)	(18)	137%	48
	\$ (37)	-9.7%	\$ (41)

Interest Income

The variation between interest income generated in the fourth quarter of 2008 and that of the same period in 2007 was substantially high due to the cash flow position.

Other Expenses (Revenues)

The variation in other financial expenses is primarily due to changes in the exchange rate. In the fourth quarter of 2008, the Corporation recorded net exchange gain of \$0.037 million, compared with net exchange gains of \$0.041 million in 2007.

Stock-Based Compensation

The Corporation recorded stock-based compensation of \$0.011 million in the fourth quarter, compared with an expense of \$0.025 million for the same period in 2007.

VII. CURRENT SHARE CAPITAL AS AT DECEMBER 31, 2008

Share Capital

- a) The Corporation's authorized share capital consists of:

An unlimited number of common shares with no nominal value.

In June 2007, the Corporation filed articles of amendment to cancel all classes of authorized shares other than common shares and to consolidate common shares on a three-for-one basis.

- b) The following changes pertain to issued share capital:

	2008 Number	2008 Value	2007 Number	2007 Value
Issued and outstanding at the beginning of the period	28,230,733	\$31,413,681	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	\$24,818,974
Share issuance of IPO c)	-	-	11,111,112	\$10,000,000
Share issuance costs c)	-	-	-	(\$1,436,822)
Common share warrants (note e)	-	-	-	(\$2,111,111)
Issuance of shares to the CEO d)	-	-	279,512	142,551
Cancellation of shares issued to the CEO d)	(279,512)	(63,335)	-	-
Issued and outstanding as of December 31	27,951,221	\$31,350,346	28,230,733	\$31,413,681

c) Share issuance of IPO

Under a prospectus filed May 29, 2007 pertaining to an initial public offering ("IPO"), the Corporation issued 11,111,112 units consisting of one common share and half of one stock option at a price of \$0.90 per unit, or \$10,000,000 (less share issuance costs of \$1,436,822).

d) Issuance of shares to the Chief Executive Officer

On the closing of the IPO on June 6, 2007, the Corporation granted an interest-free loan of \$251,561 maturing June 6, 2012 to its Chief Executive Officer enabling him to purchase 1% of the total number of common shares. This loan was guaranteed by the shares issued, with a fair value of \$75,468 as at December 31, 2007. This amount was applied to the reduction of the issued share capital. The figure of \$142,551 corresponds to the share-based remuneration charge and was calculated as if the Corporation had granted the share options to its Chief Executive Officer. This loan was cancelled and the shares were returned by the Chief Executive Officer following his departure. The shares were then cancelled and an amount of \$63,335 was charged to contributed surplus.

e) Stock Options

Common shares

Each unit issued by the Corporation during the IPO consisted of one common share and half of one stock option. Each stock option allows its holder to purchase a common share from the Corporation at the price of \$1.10 per share for a 24-month period following the closure of the IPO, on June 6, 2009.

	2008	2007
5, 555,556 Common shares	\$2,111,111	\$2,111,111

VIII. BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet

The following table presents key ratios and financial information from the balance sheet.

<i>(Amounts in thousands of dollars, except where indicated otherwise)</i>	As at December 31	
	2008	2007
Total assets	\$6,106	\$10,515
Cash and cash equivalents	\$2,406	\$6,121
Working capital	\$3,443	\$5,638
Working capital ratio	2.61 :1	2.68 : 1
Long-term debt (including Capital lease obligations ending in less than 1 year)	\$117	\$156
Shareholders' equity:		
Common shares <i>(in dollars)</i>	\$31,350,346	\$31,413,681
Stock options <i>(in dollars)</i>	\$2,111,111	\$2,111,111
Contributed surplus <i>(in dollars)</i>	\$153,997	\$58,360
Loss <i>(in dollars)</i>	\$29,708,675	\$26,495,854

Cash and Cash Equivalents

Cash and cash equivalents were merged into a fixed-term investment of \$1.5 million at the end of 2008 and of \$0.050 million at the end of 2007. The decline of our cash and cash equivalents in 2008 was primarily due to the use of cash to cover our operating requirements.

Working Capital

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

Long-term Debt

As at December 31 2008, the Corporation's long-term debt mostly consists of an interest free loan from Canada Economic Development, the payment following the agreement with certain customers in relation to the analogue shutdown and the decision to cease selling security products and \$14,000 in Capital lease obligations.

Stock Options

Stock options that were attached to the shares issued during the Corporation's IPO were recorded separately from the capital stock in the balance sheet at their fair market value. The fair market value of these stock options is determined by using the Black and Scholes fair value-pricing model.

Contributed Surplus

The amount recorded for the contributed surplus represents total expenses recorded under the heading of stock-based compensation (\$0.032 million), plus the portion applied following the cancellation of \$0.063 million in options after the departure of the chief executive officer.

Statement of Cash Flow Summary

<i>(Amounts in thousands of dollars except for per share data)</i>	Periods Ended December 31		
	2008	2007	2006
Operating activities	(\$3,550)	(\$2,850)	(\$1,728)
Financing activities	(88)	8 843	1,453
Investment activities	(77)	(523)	(137)
Net increase (decrease) in cash and cash equivalents	(\$3,714)	\$5,470	(\$412)

Operating Activities

Operating activities for 2008 utilized \$3,550 million of cash for our operating activities during the 12 months ended December 31, 2008, compared with the \$2,850 million used for the same period in 2007. The use of operating activity funds primarily resulted from the net loss that occurred during the period and the rise in accounts receivable due to implementation of an instalment plan. This program, which enhances our competitiveness, distributes the payment of equipment sales over a period of up to three years.

For the 12-month periods ended December 31, 2008, operating activity funds were used primarily because of the net loss generated during those periods, less the write-down of Intangible assets, the write-off of Goodwill and the changes in non-cash components of the working capital. For 2007, operating activity funds were used primarily because of the net loss generated during those periods, less implicit interest on outstanding preferred shares for the loss of 2007 and the changes in non-cash components of the working capital.

Financing Activities

A total of \$0.010 million was used for financing activities in the fourth quarter of 2008 to repay obligations resulting from capital lease contracts.

For the 12-month period ended December 31, 2008, financing activities generated net cash flows of \$ 0.09 million, compared with cash flows of \$8,84 million as at December 31, 2007 following the issue of shares under the IPO, less financing costs.

Investment Activities

Investment activities in the fourth quarter of 2008 pertained to the purchase of fixed assets. In 2007, the Corporation acquired a business at the cost of \$0.412 million. This 2007 acquisition explains the difference for the 12-month period ended December 31, 2008.

Liquidity Risks

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 acquisitions or other major investments or divestitures.

Commitments or planned expenditures necessary to maintain the Corporation's growth

The Corporation is planning to introduce new products and services without committing to significant capital expenses.

Future cash requirements associated with new market trends

In response to the economic situation and our competitive environment, the Corporation has implemented a new "all-inclusive" price plan during the course of the year that will allow customers to pay a fixed monthly rate, if they wish, to cover the cost of equipment and service for a three-year period. This hardware financing has a temporary impact on our cash flow that was considered in our 2009 planning.

Significant movements in working capital

The analogue shutdown by wireless carriers and the halt in sales of Mobilus and Vigil security products has a negative impact on our cash flow due to the loss of deferred revenues for those units. Moreover, as indicated above, the new all-inclusive plan introduced by the Corporation increased the net investment in sales-type leases and therefore reduce our liquidities.

IX. 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 December 31, 2008, the Corporation's long-term debt consisted of an interest-free loan from Canada Economic Development with a remaining obligation of approximately \$74,000 and an amount to be paid pertaining to the termination of an agreement of \$38,000.

The following table demonstrates the contractual obligations and commitments of the Corporation to make future payments under contracts as at December 31, 2008.

<i>Amounts In thousands of dollars</i>	Total	2009	2010	2011	2012	2013+
Long-term debt	123	49	74	-	-	-
Capital lease obligations	14	19	-	-	-	-
Operating lease obligations	22	9	9	4	-	-
Office rent	351	194	157	-	-	-
Total	510	266	240	4	-	-

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

X. RELATED-PARTY TRANSACTIONS

Immediately after the closing of the IPO, the Corporation granted an interest-free loan of \$251,561 to its Chief Executive Officer, enabling him to acquire 1% of the total number of common shares at the closing of the IPO. This amount was cancelled following the departure of the CEO.

XI. CREDIT RISK AND THE 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.

XII. ACCOUNTING POLICIES AND STANDARDS

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*.

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.

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*.

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.

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.

XIII. FINANCIAL INSTRUMENTS

The book values of cash and cash equivalents, accounts receivable, accounts payable and expenses to be paid are close to their fair value, given the fact that these financial assets and liabilities have short-term expiration dates.

Refer to note on Financial Instruments in Financial Statements.

XIV. OUTLOOK

Management expects revenues from Mobicom sales to remain stable in 2009 despite a difficult economic environment. The demand for Mobicom products is, through the present, comparable with that of 2008 and corresponds with 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.

XV. 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.

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