

TRANZEO WIRELESS TECHNOLOGIES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31 2008

(Unaudited)

(IN CANADIAN DOLLARS)

INTERIM CONSOLIDATED BALANCE SHEETS

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TRANZEO WIRELESS TECHNOLOGIES INC.

Interim Consolidated Balance Sheet

	March 31, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalent.....	\$ -	\$ 168,171
Accounts receivable.....	4,855,437	2,827,431
Current portion of future income taxes	643,513	559,786
Prepaid expenses.....	564,203	560,673
Inventories (Note 3).....	8,440,225	7,438,122
	14,503,378	11,554,183
Property, plant, and equipment	11,593,823	11,343,886
Deferred development costs	3,621,077	2,842,016
Future income taxes.....	218,540	218,540
	\$ 29,936,818	\$ 25,958,625
Liabilities and Shareholders' Equity		
Current Liabilities:		
Bank Indebtedness.....	\$ 2,053,270	\$ -
Accounts payable and accrued liabilities	4,487,180	2,869,359
Current portion of capital lease obligation (Note 7).....	1,006,688	903,133
	7,547,138	3,772,492
Capital lease obligation (Note 7).....	1,270,323	1,462,980
	8,817,461	5,235,472
Shareholders' equity:		
Share capital (Note 5).....	17,497,824	17,497,824
Contributed surplus.....	888,350	841,350
Retained earnings.....	2,733,183	2,383,979
	21,119,357	20,723,153
	\$ 29,936,818	\$ 25,958,625

Commitments and Contingencies (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

TRANZEO WIRELESS TECHNOLOGIES INC.

Interim Consolidated Statements of Operations and Deficit (Unaudited)

	Three Months Ended March 31,	
	2008	2007
Sales.....	\$ 5,760,949	\$ 4,752,117
Cost of goods sold.....	3,686,435	2,882,961
Gross profit.....	2,074,514	1,869,156
Expenses		
Sales and marketing.....	541,076	344,543
Research and development.....	58,850	245,691
General and administrative.....	655,081	557,802
Amortization.....	208,626	133,908
	1,463,633	1,281,944
Earnings before other items.....	610,881	587,212
Other (income) expenses		
Interest income.....	-	(20,588)
Interest Expense.....	89,360	41,300
Foreign exchange loss.....	11,734	15,528
	101,094	36,240
Net earnings before income taxes.....	509,787	550,972
Income tax expense (Note 4).....	160,583	209,828
Net earnings	349,204	341,144
Retained earnings, beginning of year.....	2,383,979	1,432,691
Retained earnings, end of year.....	\$ 2,733,183	\$ 1,773,835
Earnings per share for the period (Note 7)		
Basic.....	\$ 0.01	\$ 0.01
Diluted.....	\$ 0.01	\$ 0.01
Weighted average number of shares outstanding for the year.....	26,284,405	24,087,375

The accompanying notes are an integral part of these consolidated financial statements.

TRANZEO WIRELESS TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended	
	March 31	
	2008	2007
Cash flows from operating activities:		
Net income for the period	\$ 349,204	\$ 341,144
Adjustments to reconcile net income to net cash from operating activities:		
Amortization	208,626	133,908
Amortization of Deferred development costs.....	58,850	-
Interest on capital leases.....	65,172	41,300
Future income taxes - current.....	160,583	209,828
Stock based compensation.....	-	64,638
	<u>842,435</u>	<u>790,818</u>
Changes in working capital assets and liabilities		
Prepaid expenses.....	(82,840)	(124,522)
Accounts receivable.....	(2,193,006)	(754,588)
Accounts payable and accrued liabilities.....	1,617,822	(540,161)
Inventories.....	(1,002,101)	(324,207)
Net cash flows used in operating activities.....	<u>(817,690)</u>	<u>(952,660)</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment.....	(294,902)	(1,181,649)
Deferred development expenses.....	(790,914)	(247,910)
Net cash flows used in investing activities.....	<u>(1,085,816)</u>	<u>(1,429,559)</u>
Cash flows from financing activities:		
Repayment of capital lease obligations.....	(317,935)	(153,310)
Issuance of common shares, net.....	-	7,388,430
Net cash flows from financing activities	<u>(317,935)</u>	<u>7,235,120</u>
Net increase (decrease) in cash.....	(2,221,441)	4,852,901
Cash and cash equivalents, beginning of period.....	<u>168,171</u>	<u>389,249</u>
Cash and cash equivalents, (Bank indebtedness), end of period.....	<u>\$ (2,053,270)</u>	<u>\$ 5,242,150</u>
CASH PAID FOR		
Interest	\$ 89,360	\$ 41,300
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

TRANZEO WIRELESS TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008

1. OPERATIONS

Tranzeo Wireless Technologies Inc. (the "Company") was incorporated on December 6, 2000 under the Company Act, British Columbia, and was continued as a Canadian Federal Corporation on April 1, 2004 under the Canada Business Corporations Act. The Company was formed for the purpose of developing and selling wireless internet connectivity solutions. On October 4, 2005, the Company's common shares were listed on the Toronto Stock Exchange ("TSX") under the symbol TZT after completing an initial public offering.

On January 31, 2007 the company formed a wholly owned subsidiary, Tranzeo Wireless Technologies USA Inc. The subsidiary was formed for the purpose of carrying out research and development activities in San Diego, USA.

On October 1, 2007 the company formed a wholly owned subsidiary, Tranzeo Wireless Technologies Ireland Limited. The subsidiary was formed for the purpose of selling the Company's wireless internet connectivity solutions into the European market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Interim financial statements

These interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2007. The disclosure in these interim consolidated financial statements do not meet all disclosure requirements of Canadian generally accepted accounting principles for annual financial statements.

(c) Principles of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries, Tranzeo Wireless EMC Labs Inc, Tranzeo Wireless Technologies USA Inc. and Tranzeo Wireless Technologies Ireland Limited. All inter-company balances, revenues and expenditures have been eliminated.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to allocation of overhead and other indirect costs to cost of sales and inventory, the allocation of direct costs to research and development, the determination of impairment of assets and useful lives for depreciation and amortization, fair values of financial instruments, future income tax valuation allowance and fair value for stock-based awards and compensation. Financial results as determined by actual events could differ from those estimates.

TRANZEO WIRELESS TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008

3. INVENTORIES

	March 31, 2008	Dec 31, 2007
Raw materials	7,615,829	5,835,993
Finished goods	824,396	1,602,129
	8,440,225	7,438,122

4. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	Quarter Ended March 31 2008	Quarter Ended March 31 2007
	\$	\$
Income before income taxes	509,787	550,972
Stock based compensation – non deductible	-	64,638
Income for tax purposes	509,787	615,610
Tax provision at statutory rates-31.5% (2007- 34.12%)	160,583	209,828
Benefit of tax losses not previously recognized	-	-
Income taxes	160,583	209,828

Refundable Tax Credits:

The Company is entitled to claim certain tax credits from the federal and provincial governments in respect of qualifying expenditures incurred in carrying out Scientific Research and Experimental Development (SR&ED) in Canada. The Company recorded \$165,000 of non refundable tax credits which was applied to reduce research and development expenses in the current quarter (March 31, 2007 -\$100,992).

5. SHARE CAPITAL

On May 19, 2005, the Company amended its authorized share capital from 100,000,000 common shares to an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. Preferred shares are entitled to priority over the common shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company.

Authorized:

Unlimited voting common shares, no par value
Unlimited preferred shares, no par value

Issued:

	Common	\$
Balance at December 31, 2007 and March 31, 2008	26,284,405	17,497,824

TRANZEO WIRELESS TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008

5. SHARE CAPITAL – cont'd

Stock Options

The following table summarizes stock option transactions that occurred during the period:

	Number of Common Shares subject to Options	Weighted Average Exercise Price per Share
Balance, December 31, 2007	2,031,448	1.22
Granted	170,000	1.00
Cancelled and Expired	-	-
Balance, March 31 2008	2,201,448	1.21

The weighted average remaining life of the options as at March 31, 2008 was 7.53

Share Purchase Warrants

The following table summarizes outstanding warrants:

	Warrants	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)
Balance, December 31, 2007	192,000	\$2.50	0.12
Exercised	-	-	-
Expired (February 13, 2008)	(192,000)	\$2.50	-
Balance, March 31, 2008	-	-	-

TRANZEO WIRELESS TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008

6. EARNINGS PER SHARE

The following is a reconciliation of basic and diluted net earnings per share:

	March 31, 2008	March 31 2007
	\$	\$
Net income available to shareholders	349,204	341,144
Weighted average shares outstanding	26,284,405	24,087,375
Effect of dilutive securities , stock options and warrants	-	940,302
	<u>26,284,405</u>	<u>25,027,677</u>
Basic earnings per share	\$ 0.01	\$ 0.01
Diluted earnings per share	\$ 0.01	\$ 0.01

7. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company has operating lease commitments for office premises, office equipment, and vehicles, requiring payments in each of the next five years as follows (see Note 8 – Related Party Transactions):

	\$
2008	405,149
2009	486,581
2010	410,725
2011	295,225
2012	294,188
	<u>1,891,868</u>

Capital Lease Obligations

The following is a schedule of future minimum lease payments under the capital leases expiring on January 31, 2011 together with the balance of the obligation under capital lease.

Year ending December 31	\$
2008	936,305
2009	1,111,537
2010	608,313
2011	5,580
Total minimum lease payments as at March 31, 2008	2,661,735
Amount representing interest at 11.5%	(384,724)
Balance of the obligation	2,277,011
Current Portion	1,006,688
Long term portion	<u>1,270,323</u>

TRANZEO WIRELESS TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008

8. RELATED PARTY TRANSACTIONS

The Company paid or accrued total rent of \$60,048 in the current quarter (March 31 2007 - \$60,048) to companies owned by the President of the Company. Included in lease commitments (Note 7) is \$1,140,893 that will be payable to these related companies over the next five years.

The Company purchased raw materials of \$693,572 (2007 – \$427,715) in the current quarter from a company whose chief executive officer is a director of the Company. Included in accounts payable is \$530,213 (2007 – \$156,684) payable to the same related company.

9. SEGMENTED INFORMATION

	Canada \$	US \$	Other \$	Total \$
March 31, 2008				
Sales	1,213,526	3,743,601	803,821	5,760,948
Property, plant and equipment	11,593,823			11,593,823
March 31, 2007				
Sales	872,905	3,076,772	802,440	4,752,117
Property, plant and equipment	8,872,648			8,872,648
