



GLENTEL
QUARTERLY REPORT Q2 2005



Letter To Shareholders

I am pleased to report that in our second quarter each of our operating divisions has experienced steady growth in both sales and profitability year over year. During this period, we also seized the opportunity to acquire two significant businesses, one for each division.

Glentel acquired Cabtel Corporation, operating 49 mall-based stores in Alberta and Ontario as The Telephone Booth and in Québec as La Cabine Téléphonique, with annual sales of approximately \$42 million, for \$17.07 million. This complements our current 90 WirelessWave mall-based stores in BC, Alberta, Manitoba and Ontario. The two brands will be marketed separately and operated within the Retail Division. WirelessWave has a primary target age demographic market of 13 to 34 years, whereas the Cabtel stores are being repositioned to target an age market of 18 to 44 years with a broader product range and larger store footprint than WirelessWave. Glentel's market position in the mall marketplace of Ontario and Québec will be solidified with the addition of the Cabtel stores, providing an opportunity to expand Cabtel's brands in Western and Eastern Canada in the future. This quarter, Glentel also acquired the Remote Telecom unit of Wireless Matrix Corp. for \$1.3 million, with sales of approximately \$2.0 million. The business was successfully consolidated into the current mobile satellite business of our Business Division. The acquired business encompasses customers in Western Canada, the coastal and marine region from Alaska to California, and the state of Mississippi. These two acquisitions, Cabtel Corporation and Wireless Matrix's mobile satellite business, are accretive to our earnings.

Our Retail Division continues to generate strong earnings. The WirelessWave unit has opened four new stores in the first half of 2005 for a total store count of 90, and has placed greater emphasis on increasing the gross profit yield per customer. Our carrier partners have also increased the value to our customers by offering additional discounts when other associated services are bundled with cellular phone activation on their network. These bundled services include cable, high-speed internet, satellite digital TV, video on demand, and residential digital phone service. Our Retail Division will continue to monitor same-store cellular activations, and going forward will focus its attention on selling bundled services with each cellular phone sale to enhance its profit per sale. The Cabtel unit acquisition was effective May 29, 2005 and its sales from that date are included in the Retail Division's results. We are pleased with the prospects for growth in sales and profitability for Cabtel and look forward to achieving similar operating results as our WirelessWave unit. The Cabtel unit is now under the full operational control of Glentel management and for a short period of time will rely on Hartco Corporation, Cabtel's former parent company, for certain support services. Cabtel's product offerings and systems will be assessed and finalized by the end of the third quarter. Glentel will be acting prudently to exploit its strengths, offering the highest level of customer service and satisfaction while maximizing Cabtel's and WirelessWave's earnings potential for all shareholders.

Our Business Division has continued to strengthen its competitive position during this quarter, enjoying improved margins while adding the additional business from its latest acquisition. Our service, airtime, and tower site revenues, as well as our equipment rentals, have contributed greatly to our Business Division's profitability. Glentel has been successful in being awarded numerous government and enterprise contracts, which is testimony to the stellar reputation of our knowledgeable people. Our team's ability in applying their skills, knowledge, and experience in developing customized turn-key wireless solutions has been invaluable. We have proven over time that we can make a difference in the efficiency and effectiveness of our customers. The Business Division is well positioned to produce steady sales and profits going forward.

Glentel continues to demonstrate the unique strength it has with its in-house marketing team and its expertise in production, creative, and execution. This core strength of our company has contributed significant savings in promotion, advertising, and merchandising, including our store development and trade shows. Our company has been able to open new stores with expediency, while being cost effective. Our team will bring additional value in the implementation of our planned Cabtel store redesign rollout in the months ahead.

Our finance, administration, and information technology strengths continue to pay dividends. This group has contributed greatly to the execution of our business plan and to the efficiency and controls of our operations. During this quarter, we successfully implemented a new operating information system in the WirelessWave unit. This system delivers an improved customer experience and will allow our associates to be more effective internally as well as to our carrier partners. The system will also position WirelessWave for a new level of growth and the ability to track the sale of additional bundled service offerings. Our cash position, cash generation, and bank relationship continue to be strong. During the month of May, the Board of Directors approved, and the company was successful in, the private placement of an additional 1,600,000 shares of treasury stock of Glentel. These shares have a four-month hold period and provided gross cash proceeds of \$8,800,000. The proceeds were used as partial payment for the Cabtel acquisition which completed on June 28, 2005. The remaining cash on hand will be used to fund future business opportunities.

We continue to see great opportunities of growth for both operating divisions of Glentel. The economy of Canada has been strong, and the demand for both consumer and business wireless devices and solutions continues to grow. There are new services, applications, and emerging wireless technologies that will sustain the growth and profitability of the wireless industry in Canada, and Glentel should successfully participate in these continuing trends.



THOMAS E. SKIDMORE
Chairman, President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis is effective July 28, 2005 and should be read together with the Company's unaudited interim consolidated financial statements and the accompanying notes for the six months ended June 30, 2005, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All financial amounts are expressed in Canadian dollars.

OVERVIEW

Glentel Inc. ("Glentel" or "the Company") operates in two distinct business segments. The Retail Division, doing business as ("dba") *WirelessWave* and *The Telephone Booth / La Cabine Téléphonique*, provides personal cellular communications products and choice of cellular carrier to consumers through retail outlets in major shopping malls in Canada. The Business Division provides its customers with integrated wireless solutions – designing and commissioning wireless networks for commercial applications in three core areas: terrestrial radio systems, satellite network services, and advanced mobile solutions.

OVERALL PERFORMANCE

During the quarter and effective May 29, 2005, the Company acquired Cabelt Corporation, dba *The Telephone Booth / La Cabine Téléphonique*, a specialty wireless store chain consisting of 49 mall-based locations in Québec, Ontario, and Alberta. The purchase price for all of the issued and outstanding shares of Cabelt is \$17,070,000 in cash, subject to final adjustments.

In addition, during the quarter and effective April 30, 2005, the Company acquired certain assets and specified contracts of the Remote Telecom business of Wireless Matrix Corporation for cash consideration of \$1,305,000. The Remote Telecom business consists of a mobile satellite customer base and rental equipment that was merged into the current satellite network segment of the Business Division.

Sales for the 2nd quarter ended June 30, 2005 increased 38% to \$29,834,000 compared to \$21,577,000 in 2004.

Consolidated sales in the 2nd quarter compared to 2004 grew in both the Retail Division and the Business Division. In the Retail Division, sales increased 43% due to the increased number of *WirelessWave* stores operating in the 2nd quarter of 2005 over the previous year and the addition of one month of sales from *The Telephone Booth / La Cabine Téléphonique* that was acquired effective May 29, 2005. In the Business Division, sales increased 25% due to strong growth in its core terrestrial radio systems segment and the addition of two months of sales from the Remote Telecom business (satellite networks segment) that was acquired effective April 30, 2005 from Wireless Matrix Corporation.

Operating expenses increased in the 2nd quarter of 2005 compared to 2004 due to the increased number of stores operating in *WirelessWave* and the additional costs from one month of operations of *The Telephone Booth / La Cabine Téléphonique*. In the Business Division, operating expenses have been controlled and were flat compared to the same quarter last year. Improved operating efficiencies in the division are being reflected in improved operating results. Corporate operating expenses increased to support the overall growth in the Company.

As a result, operating income before interest and taxes increased to \$2,396,000 for the 2nd quarter compared to \$993,000 in 2004. Net income was \$1,370,000, \$0.16 per share, compared to \$627,000, \$0.08 per share, the previous year.

For the six months ended June 30, 2005, sales increased 28% to \$53,265,000 compared to \$41,725,000 in 2004.

With the acquisition of *The Telephone Booth / La Cabine Téléphonique* adding to the strength of *WirelessWave*, increased benefits are being realized by the Retail Division from our carrier partners as the division is viewed as complementary to their dealer base and an increasingly stronger channel to market. Combined with the solid improvement in operating results of the Business Division for the six months ended June 30, 2005, operating income before interest and taxes grew to \$2,748,000 compared to \$1,852,000 in 2004. The net income was \$1,613,000, \$0.19 per share, compared to net income of \$1,168,000, \$0.14 per share, in 2004.

Interim Management's Discussion and Analysis

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

(In thousands of dollars, except per share amounts)

	YEARS ENDED DECEMBER 31							
	2005		2004				2003	
	Jun 30 2005	Mar 31 2005	Dec 31 2004	Sep 30 2004	Jun 30 2004	Mar 31 2004	Dec 31 2003	Sep 30 2003
Sales	\$ 29,834	\$ 23,431	\$ 30,595	\$ 24,424	\$ 21,577	\$ 20,148	\$ 25,736	\$ 18,788
Operating income	\$ 2,396	352	2,830	1,911	993	859	3,428	1,229
Net income	\$ 1,370	\$ 243	\$ 1,780	\$ 1,195	\$ 627	\$ 541	\$ 2,345	\$ 769
Net income per share								
- Basic	\$ 0.16	\$ 0.03	\$ 0.21	\$ 0.14	\$ 0.08	\$ 0.07	\$ 0.29	\$ 0.10

Historically, the Company's business is stronger during its 3rd and 4th quarters, while the 2nd quarter is generally the weakest quarter of the year. This seasonal pattern is tied closely to traditional cycles in consumer spending.

RESULTS OF OPERATIONS - ANALYSIS OF SECOND QUARTER OPERATING RESULTS

(Quarter ended June 30, 2005 versus Quarter ended June 30, 2004)

RETAIL DIVISION

Sales of retail cellular products and services in the Retail Division grew 43% to \$22,663,000 for the 2nd quarter compared to \$15,824,000 in 2004. The growth in sales was due to the division operating 90 *WirelessWave* retail mall-based stores as at June 30th, compared to a total of 72 stores at the same time last year. The 2nd quarter results also include one month of operations of *The Telephone Booth / La Cabine Téléphonique* that was acquired effective May 29, 2005.

With the strength of *WirelessWave* and the acquisition of *The Telephone Booth / La Cabine Téléphonique*, the division has become an increasingly stronger channel to market that complements the carrier partners' dealer base. As a result, increased benefits from its carrier partners are being realized by the division.

Our carrier partners have also increased the value to our customers by offering additional discounts when other associated services are bundled with cellular phone activation on their network. These bundled services include cable, high-speed internet, satellite digital TV, video on demand, and residential digital phone service. Our Retail Division will continue to monitor same-store cellular activations, and going forward will focus its attention on selling bundled services with each cellular phone sale to enhance its profit per sale.

The Retail Division has continued to make strategic investments in its organization to manage the planned growth. During this quarter, we successfully implemented a new operating information system in the *WirelessWave* unit. This system delivers an improved customer experience and will allow our associates to be more effective internally as well as to our carrier partners. The system will also position *WirelessWave* for a new level of growth and the ability to track the sale of additional bundled service offerings.

Amortization expense of property and equipment for the quarter increased to \$578,000 compared to \$436,000 last year, due primarily to the number of stores added since June 30, 2004.

Operating income before interest and taxes for the division increased 63% to \$3,475,000 in the 2nd quarter compared to \$2,127,000 in the previous year.

BUSINESS DIVISION

Sales of terrestrial radio systems, satellite network services, advanced mobile solutions, and service/engineering support in the Business Division grew 25% to \$7,171,000 for the 2nd quarter compared to \$5,753,000 in 2004. During the quarter, the division experienced strong growth in its core terrestrial radio systems segment. This included the implementation of a large radio system in Alberta. Rentals and airtime revenue have also grown over the same period last year. Service revenue continues to generate strong growth year over year. The division has also seen an increase in the mobile data solutions category with some successful fleet management sales in BC and Alberta.

Additionally, with the recent acquisition of the Remote Telecom business unit from Wireless Matrix Corporation, the Business Division has now successfully integrated the satellite customer base into its billing system. The additional customers are made up primarily of satellite dispatch customers who are part of one of the largest dispatch talk groups in North America, known as AlaskaNet. We have already begun to see growth in the AlaskaNet customer base in the 2nd quarter following the acquisition which was effective April 30, 2005.

Overall, the Business Division continued to have strong sales growth with improved profit margins while focusing on controlling costs. This has translated into positive results in the 2nd quarter.

Amortization expense of property and equipment for the 2nd quarter was flat quarter over quarter at \$272,000 compared to \$280,000 last year.

Operating income before interest and taxes for the division grew significantly to \$355,000 in the 2nd quarter compared to \$9,000 in 2004.

CORPORATE DIVISION

Operating expenses for the quarter increased to \$1,379,000 (\$1,375,000 in the 1st quarter) compared to \$1,099,000 last year. This is primarily due to increased general, administrative and marketing expenses required to support the growth in the operating divisions and to support the increased demand of public company reporting.

LIQUIDITY

The Company's cash and cash equivalents balance decreased to \$6,983,000 at June 30, 2005 compared to \$8,201,000 at December 31, 2004. Working capital improved to \$17,116,000 at June 30, 2005 compared to \$13,553,000 at December 31, 2004.

The Company generated \$14,239,000 of cash flow from financing activities during the quarter. This was the result of issuing, on a private placement basis, 1,600,000 treasury shares for net proceeds of \$8,267,000 and arranging a term-loan with a major Canadian chartered bank in the amount of \$6,000,000.

The Company used cash of \$19,437,000 for investing activities during the quarter. Of this amount, \$17,070,000 was used to acquire 100% of the outstanding shares of Cabtel Corporation, dba *The Telephone Booth / La Cabine Téléphonique* and \$1,305,000 to acquire certain assets and specified contracts of the Remote Telecom business of Wireless Matrix Corporation. The balance of the investing activities were for costs related to the acquisitions and capital costs associated with opening four new WirelessWave mall-based stores during the quarter.

Cash flow from operating activities was \$4,383,000 in the 2nd quarter of 2005. This was the result of \$1,668,000 generated from the 2nd quarter operating results and the balance was primarily from an increase in accounts receivable included in cash generated by working capital.

SUMMARY OF CONTRACTUAL OBLIGATIONS

The future minimum operating lease and maintenance commitments of the Company are as follows:

(In thousands of dollars)

FISCAL YEARS	
2005 (remaining 6 months)	\$ 3,856
2006	7,094
2007	6,116
2008	4,754
2009	3,290
Subsequent years	4,913
	<u>\$ 30,023</u>

CAPITAL RESOURCES

The Company has a \$3,000,000 revolving operating facility with a major Canadian chartered bank. The facility bears interest at bank prime rate plus .5% and is secured by a general security agreement over the Company's assets.

During the 2nd quarter the Company arranged, with the same major Canadian chartered bank, an \$8,000,000 term-loan to be used for financing the acquisition of Cabtel Corporation and other potential acquisitions. The term-loan is secured by a general security agreement over the Company's assets. On June 27, 2005 the Company utilized \$6,000,000 of this facility to close the acquisition of Cabtel Corporation.

On May 25, 2005, the Company issued, on a private placement basis, 1,600,000 common shares at a price of \$5.50 per common share for gross cash proceeds of \$8,800,000. In addition to issue costs, a total of 80,000 compensation warrants were issued. Each warrant entitles the holder to acquire one common share at an exercise price of \$5.54 per share for a two-year period following the closing date of the private placement. The warrants expire on May 25, 2007. The proceeds from this offering were used to fund a portion of the business acquisition of Cabtel Corporation.

Total debt to equity ratio was 0.79 at June 30, 2005, compared to 0.92 at December 31, 2004. Total assets increased to \$65,500,000 at June 30, 2005 compared to \$51,100,000 at the year end. The change in the debt to equity ratio for the quarter was the result of issuing additional share capital and an increase in long-term debt. The increase in assets was the result of the additional assets acquired through the two previously named acquisitions completed during the quarter.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has outstanding letters of credit totaling \$140,000 (December 31, 2004 - \$140,000) that have been issued as security for the Company's obligations under a contract.

TRANSACTIONS WITH RELATED PARTY

The Company had the following transactions with its majority shareholder:

(In thousands of dollars)

	Six months ended Jun 30	
	2005	2004
Management fees	\$ 250	\$ 187
Operating and administrative expense	112	119
Store construction & marketing materials	713	585

During the six-month period, the Company was charged a fee by its majority shareholder, TCG International Inc. ("TCGI"), for the managerial services of the Chief Executive Officer. Certain other operating and administrative services provided to the Company by TCGI resulted in an additional administrative fee as agreed to by the Board of Directors. In addition, the Company paid for construction services and marketing materials provided by a subsidiary of TCGI in connection with store construction and marketing programs during the period. Related party transactions are measured at the exchange amount.

PROPOSED TRANSACTIONS

There are no proposed acquisitions or dispositions of assets or businesses that require discussion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant accounting policies are described in note 4 to the Consolidated Financial Statements included in Glentel's 2004 Annual Report. There were no significant changes in accounting policies or estimates since the fiscal year ended December 31, 2004.

(a) Accounts Receivable

As at June 30, 2005, accounts receivable totaled \$12,888,000. Management follows conservative practices in granting trade credit and diligently uses several credit risk minimizing techniques. Management regularly reviews the entire accounts receivable portfolio and updates, based on most current available information, its estimate of unrecoverable amounts. These amounts form the basis of the Company's allowance for doubtful accounts.

(b) Inventory

As at June 30, 2005, inventories totaled \$14,438,000 and are valued at the lower of cost and net realizable value. As a result of the high rate of technological change, management closely monitors the quality and profile of inventories to identify items which may present a risk. Once such risk is identified, various strategies are developed to maximize the realizable value such as return to the manufacturer, promotional activity (advertising, markdowns, etc), and finally liquidation. Management reviews inventory item profiles on an ongoing basis, which minimizes overall risk, and updates the estimates of the amount required to reflect such risk. Estimated unrecoverable amounts are charged to earnings in the period in which the condition is identified.

(c) Goodwill

The Company performs the required test for goodwill impairment annually in the 4th quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, management estimates the future cash flows and operating income of each reporting unit. As at June 30, 2005 goodwill totaled \$11,179,000, of which \$10,130,000 is attributable to acquisitions during the 2nd quarter of 2005.

(d) Future Income Tax Assets

The Company evaluates its future income tax assets and records a valuation allowance where the recovery of the future income tax does not meet the required level of certainty. At June 30, 2005, a valuation allowance of \$487,000 has been provided in respect of capital losses carried forward. As at June 30, 2005 future income tax assets, including the current portion, totaled \$2,584,000.

RISKS AND UNCERTAINTIES

In addition to risks described elsewhere in this report, the Company is subject to each of, and the cumulative effect of all of, the following risk factors. The Company has comprehensive risk management practices in place designed to offset these risk factors to the greatest extent possible. Risk factors include:

- Competition in the wireless telecommunication industry and competition from wired telecommunications;
- Technological change, new products and standards;
- Dependence on third party manufacturers, suppliers and carriers;
- Dependence on key personnel and products;
- Variances in the industry growth rate;
- Risk of inability to effectively manage future growth and expansion;
- Dependence on continuing demand for the Company's products;
- Lengthy and variable sales cycles;
- Potential fluctuations in quarterly results;
- Finite financial resources and the potential need for future financing; and
- Changes in the regulatory environment.

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors were not requested to review the unaudited financial statements for the period ended June 30, 2005.

Certain statements in the Management's Discussion and Analysis, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate. Factors that may cause such differences include, but are not limited to, those under the section labeled "Risks and Uncertainties." The Company assumes no obligation to update forward-looking statements should circumstances or Management's estimates or opinions change.

CONSOLIDATED BALANCE SHEETS

(Unaudited) In thousands of dollars

	Jun 30, 2005	Dec 31, 2004
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 6,983	\$ 8,201
Accounts receivable	12,888	16,047
Income taxes receivable	1,468	726
Inventory	14,438	8,914
Prepaid expenses	1,229	402
Current portion of future income tax benefits	932	832
	37,938	35,122
PROPERTY AND EQUIPMENT	14,587	13,273
DEFERRED PENSION COSTS	189	189
GOODWILL	11,179	1,049
FUTURE INCOME TAX BENEFITS	1,652	1,425
	\$ 65,545	\$ 51,058
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 17,083	\$ 19,376
Current portion of deferred extended warranty revenue	2,539	2,177
Current portion of long-term debt	1,200	16
	20,822	21,569
DEFERRED EXTENDED WARRANTY REVENUE	3,257	2,846
LONG-TERM DEBT	4,800	17
	28,879	24,432
SHAREHOLDERS' EQUITY		
Share capital	26,804	18,469
Contributed surplus	472	380
Retained earnings	9,390	7,777
	36,666	26,626
	\$ 65,545	\$ 51,058

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) In thousands of dollars (except per share amounts)

	Three Months ended Jun 30		Six months ended Jun 30	
	2005	2004	2005	2004
SALES	\$ 29,834	\$ 21,577	\$ 53,265	\$ 41,725
Cost of sales	16,244	12,239	29,538	23,526
Operating and administrative expenses	10,289	7,585	19,243	14,843
Income before interest, taxes and amortization	3,301	1,753	4,484	3,356
Amortization, property and equipment	905	760	1,736	1,504
Operating income before:	2,396	993	2,748	1,852
Interest income	59	23	100	41
Interest expense	(17)	(7)	(19)	(11)
Income before:	2,438	1,009	2,829	1,882
Income tax expense	1,068	382	1,216	714
NET INCOME	\$ 1,370	\$ 627	\$ 1,613	\$ 1,168
INCOME PER SHARE				
Basic	\$ 0.16	\$ 0.08	\$ 0.19	\$ 0.14
Fully diluted	\$ 0.16	\$ 0.08	\$ 0.18	\$ 0.13

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited) In thousands of dollars

	Jun 30, 2005	Dec 31, 2004
Retained earnings, beginning of year	\$ 7,777	\$ 3,634
Net income	1,613	4,143
Retained earnings, end of period	\$ 9,390	\$ 7,777

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) In thousands of dollars

	Three months ended Jun 30		Six months ended Jun 30	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net income	\$ 1,370	\$ 627	\$ 1,613	\$ 1,168
Items not affecting cash:				
Stock-based compensation	54	57	92	71
Amortization, property and equipment	905	760	1,736	1,504
Amortization, deferred extended warranty sales	(679)	(470)	(1,319)	(901)
Future income taxes	18	331	(81)	663
	1,668	1,305	2,041	2,505
Cash generated by (used for) working capital	1,820	579	348	3,341
Deferred extended warranty revenue	895	751	1,809	1,324
	4,383	2,635	4,198	7,170
FINANCING ACTIVITIES				
Increase in bank indebtedness	0	0	0	(688)
Issuance of share capital	8,267	72	8,335	126
Increase (decrease) in long-term debt	5,972	(74)	5,968	(94)
	14,239	(2)	14,303	(656)
INVESTING ACTIVITIES				
Additions to property and equipment, net	(1,168)	(973)	(1,450)	(1,319)
Acquisition of businesses, net of cash acquired	(18,269)	0	(18,269)	0
Reduction in lease receivable	0	0	0	35
	(19,437)	(973)	(19,719)	(1,284)
NET CASH INFLOW (OUTFLOW)	(815)	1,660	(1,218)	5,230
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,798	4,258	8,201	688
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,983	\$ 5,918	\$ 6,983	\$ 5,918
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	\$ 17	\$ 7	\$ 19	\$ 11
Income taxes paid	\$ 894	\$ 2,064	\$ 1,520	\$ 2,546

Note: Cash and cash equivalents consist of cash on deposit and highly liquid short-term investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The Company's accounting policies are in accordance with Canadian Generally Accepted Accounting Principles. These accounting policies are consistent with those outlined in the annual audited financial statements. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited financial statements, accompanying notes, and management discussion and analysis for the year ended December 31, 2004 included in the Company's Annual Report. In management's opinion, the unaudited financial information includes all adjustments necessary to present fairly such information.

2. SEASONAL NATURE OF OPERATIONS

The Company's business follows a seasonal pattern, whereby revenues are traditionally higher in the third and fourth quarters due to seasonal demand for the Company's products. Consequently, operating results for interim periods are not necessarily indicative of operating results for the full fiscal year.

3. SHARE CAPITAL

a) On May 25, 2005, the Company issued, on a private placement basis, 1,600,000 common shares at a price of \$5.50 per common share for gross cash proceeds of \$8,800,000. In addition to issue costs, a total of 80,000 compensation warrants were issued. Each warrant entitles the holder to acquire one common share at an exercise price of \$5.54 per share for a two-year period following the closing date of the private placement. The warrants expire on May 25, 2007.

b) During the six months ended June 30, 2005, the Company issued 48,650 common shares on the exercise of stock options.

c) During the six months ended June 30, 2005, the Company granted 117,000 stock options to certain employees of the Company. The options are exercisable at \$7.05 per share. The options are exercisable on the basis of 25% of the options per year on a cumulative basis, beginning after one year and expiring after ten years.

d) At June 30, 2005, the Company had 10,072,095 (December 31, 2004 – 8,423,445) common shares issued and outstanding.

e) The following table provides a reconciliation of weighted average number of shares outstanding used to calculate basic and fully diluted income per share.

(Numbers in thousands)	Three months ended Jun 30		Six months ended Jun 30	
	2005	2004	2005	2004
Weighted average number of common shares outstanding	8,621	8,311	8,595	8,300
Effect of dilutive stock options	(79)	(11)	541	525
Weighted average number of dilutive common shares outstanding	8,542	8,300	9,136	8,825

4. ACQUISITION OF BUSINESSES

a) Effective April 30, 2005, the Company acquired certain assets and contracts of the Remote Telecom business of Wireless Matrix Corporation for cash consideration of \$1,305,000.

The net assets acquired at fair value were as follows:
(In thousands of dollars)

Inventory	\$	207
Goodwill		1,098
		1,305
Liabilities assumed		-
Total acquisition cost	\$	1,305

b) Effective May 29, 2005, the Company acquired all the issued and outstanding shares of Cabtel Corporation for cash consideration of \$17,070,000 subject to final adjustments.

The net assets acquired at fair value were as follows:
(In thousands of dollars)

Cash	\$	106
Accounts receivable		2,002
Income taxes receivable		486
Inventory		4,776
Property and equipment		2,404
Future income tax benefits		247
Goodwill		9,032
		19,053
Liabilities assumed		(1,481)
Deferred extended warranty revenue		(282)
Amounts due to former shareholder		(220)
Total acquisition cost	\$	17,070

5. LONG-TERM DEBT AND BANK INDEBTEDNESS

During the three months ended June 30, 2005, the Company arranged a term-loan facility with a major Canadian chartered bank for up to \$8,000,000 to be used for financing the acquisition of Cabtel Corporation and other potential acquisitions. On June 27, 2005 the Company utilized \$6,000,000 of this facility. The term-loan is secured by a general security agreement over the Company's assets and is repayable in monthly installments of \$100,000 plus interest.

In addition, the Company has a revolving loan facility with the same major Canadian chartered bank for \$3,000,000 to be used for general operating purposes. This facility is secured by the same general security agreement over the Company's assets.

Consolidated Financial Statements

6. SEGMENTED INFORMATION

The Company operates within Canada in two distinguishable industry segments. The Retail Division provides personal communications products and services to consumers. The Business Division provides a wide range of terrestrial, satellite, and advanced mobile communications products and services to commercial, government and industrial customers.

Information by business segment is as follows:

(In thousands of dollars)

	Three months ended Jun 30		Six months ended Jun 30	
	2005	2004	2005	2004
Sales to external customers:				
Retail Division	\$ 22,663	\$ 15,824	\$ 39,550	\$ 29,296
Business Division	7,171	5,753	13,715	12,429
	29,834	21,577	53,265	41,725
Income before interest, taxes and amortization:				
Retail Division	4,053	2,563	5,840	4,799
Business Division	627	289	1,398	687
Corporate	(1,379)	(1,099)	(2,754)	(2,130)
	3,301	1,753	4,484	3,356
Amortization, property and equipment:				
Retail Division	578	436	1,092	856
Business Division	272	280	541	562
Corporate	55	44	103	86
	905	760	1,736	1,504
Operating income (loss) before interest and taxes:				
Retail Division	3,475	2,127	4,748	3,943
Business Division	355	9	857	125
Corporate	(1,434)	(1,143)	(2,857)	(2,216)
	\$ 2,396	\$ 993	\$ 2,748	\$ 1,852
Net capital expenditures:				
Retail Division			\$ 624	\$ 506
Business Division			672	742
Corporate			154	71
			\$ 1,450	\$ 1,319
			Jun 30, 2005	Dec 31, 2004
Assets employed:				
Retail Division			\$ 30,566	\$ 27,905
Business Division			11,059	9,972
Corporate			23,920	13,181
			\$ 65,545	\$ 51,058

WIRELESS BUSINESS CENTRES

BRITISH COLUMBIA	Vancouver Fort St. John	ALBERTA	Calgary Edmonton Grande Prairie Lethbridge Medicine Hat Red Deer Athabasca (Service Centre, opened March 2005)
SASKATCHEWAN	Saskatoon		
ONTARIO	Hamilton		

WIRELESSWAVE STORES

BRITISH COLUMBIA

Abbotsford	Sevenoaks Shopping Centre
Burnaby	Brentwood Town Centre Lougheed Town Centre Metropolis at Metrotown
Chilliwack	Cottonwood Mall
Coquitlam	Coquitlam Centre
Kamloops	Aberdeen Mall
Kelowna	Orchard Park Mall
Langley	Willowbrook Shopping Centre
Nanaimo	Woodgrove Centre
Penticton	Cherry Lane Shopping Centre
Prince George	Pine Centre
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Vancouver	Oakridge Shopping Centre Pacific Centre
Vernon	Village Green Mall
Victoria	Hillside Shopping Centre Mayfair Shopping Centre
West Vancouver	Park Royal South

ALBERTA

Calgary	Chinook Centre Eaton Centre Southcentre Marlborough Mall Market Mall Sunridge Mall
Edmonton	Kingsway Garden Mall Londonderry Mall Southgate Centre Sherwood Park Mall West Edmonton Mall (Phase II) West Edmonton Mall (Phase III)
Grande Prairie	Prairie Mall
Lethbridge	Park Place Mall
Lloydminster	Lloyd Mall
Medicine Hat	Medicine Hat Mall
Red Deer	Red Deer Centre

MANITOBA

Winnipeg	Polo Park Shopping Centre St. Vital Centre Kildonan Place*
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*Open 2nd quarter of 2005

ONTARIO

Barrie	Georgian Mall
Belleville	Quinte Mall
Brantford	Lynden Park Mall
Burlington	Mapleview Shopping Centre Burlington Mall
Cambridge	Cambridge Centre
Etobicoke	Cloverdale Mall Woodbine Centre
Guelph	Stone Road Mall
Hamilton	Lime Ridge Mall
Kingston	Cataraqui Town Centre
Kitchener	Fairview Park Mall
London	Masonville Place White Oaks Mall
Markham	Markville Shopping Centre
Milton	Milton Mall
Mississauga	Erin Mills Town Centre Square One Shopping Centre (Upper & Lower Level) Dixie Outlet Mall
New Market	Upper Canada Mall
North Bay	Northgate Shopping Centre
North York	Fairview Mall
Oakville	Oakville Place Shopping Centre
Oshawa	Oshawa Centre
Ottawa	Billings Bridge Plaza Carlingwood Shopping Centre Place D'Orleans Rideau Centre
Owen Sound	Heritage Place*
Peterborough	Lansdowne Place Pickering Town Centre
Pickering	Lambton Mall
Sarnia	Scarborough Town Centre
Scarborough	Pen Centre
St. Catharines	Eastgate Square
Stoney Creek	New Sudbury Centre
Sudbury	Promenade Shopping Centre
Thornhill	BCE Place
Toronto	CenterPoint Mall* Dufferin Mall Hudson's Bay Centre TD Centre Toronto Eaton Centre
Vaughan	Vaughan Mills (kiosk & in-line)
Waterloo	Conestoga Mall
Windsor	Devonshire Mall Tecumseh Mall*

THE TELEPHONE BOOTH / LA CABINE TÉLÉPHONIQUE

QUEBEC

Anjou	Galeries d'Anjou
Lasalle	Carrefour Angrignon
Laval	Carrefour Laval
Montréal	Centre Eaton Montréal Centre Rockland
Pointe-Claire	Fairview Pointe-Claire
Québec City	Galeries de la Capitale Place Fleur de Lys
Repentigny	Les Galeries Rive-Nord
Rosemère	Place Rosemère
St-Bruno	Promenades St-Bruno
St-Laurent	Place Vertu
Ste-Foy	Place Laurier
Trois-Rivières	Les Rivières

ALBERTA

Calgary	Sunridge Mall TD Square Market Mall Chinook Centre
Edmonton	Kingsway Garden Mall

ONTARIO

Brampton	Bramalea City Centre
Burlington	Burlington Mall
Cambridge	Cambridge Centre
Etobicoke	Sherway Gardens Woodbine Centre
Hamilton	Lime Ridge Shopping Centre
Kingston	Cataraqui Town Centre
Kitchener	Fairview Park Mall
London	White Oaks Shopping Centre Masonville Place Westmount Shopping Centre
Markham	Markville Shopping Centre
Mississauga	Square One Erin Mills Town Centre
Nepean	Bayshore Shopping Centre
Newmarket	Upper Canada Mall
Orleans	Place D'Orleans
Ottawa	Carlingwood Shopping Centre Rideau Centre St-Laurent Shopping Centre
Pickering	Pickering Town Centre
Richmond Hill	Hillcrest Mall
Scarborough	Scarborough Town Centre
St-Catharines	Pen Centre
Thornhill	The Promenade
Toronto	Toronto Eaton Centre Yorkdale Shopping Centre
Vaughan	Vaughan Mills
Willowdale	Fairview Mall
Windsor	Devonshire Mall



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