Wi2Wi Corporation

Consolidated Financial Statements
Years Ended December 31, 2012 and 2011

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Contents

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Independent Auditor's Report

To the Board of Directors and Shareholders
Wi2Wi Corporation
Montreal, Canada

We have audited the accompanying consolidated financial statements of Wi2Wi Corporation (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wi2Wi Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company's recurring losses, working capital deficit and total shareholders' deficit, among other factors, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

BDO USA, LLP

April 30, 2013

Consolidated Financial Statements

Wi2Wi Corporation

Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

December 31,	2012	2011
Assets		
Current Assets		
Cash	$ 32	$ 25
Trade accounts receivable, net of allowance for doubtful debt of $25 as of December 31, 2012 and 2011 (Note 7)	453	908
Inventories (Note 8)	158	433
Deferred inventory costs	117	293
Prepaid expenses and other current assets	197	59
Total current assets	957	1,718
Property and Equipment, Net (Note 9)	90	121
Total Assets	$ 1,047	$ 1,839
Liabilities		
Current Liabilities		
Bank borrowings (Note 10)	$ -	$ 329
Senior bridge loans (Note 10)	630	-
Note Payable to International Sovereign Energy Corp (Note 10)	300	-
Accounts payable	725	1,277
Accounts payable to related parties (Note 11)	1,240	510
Accrued liabilities (Note 12)	514	425
Deferred revenue	182	576
Total current liabilities	3,591	3,117
Warrant liability (Note 13)	67	73
Total liabilities	3,658	3,190
Commitments and Contingencies (Note 14)		
Equity (Deficit)		
Common shares - no par value (Note 15)	17,528	14,745
Preferred shares - no par value (Note 15)	-	-
Contributed surplus	2,569	2,506
Accumulated deficit	(22,708)	(18,602)
Total shareholders' deficit	(2,611)	(1,351)
Total Liabilities and Shareholders' Deficit	$ 1,047	$ 1,839

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Dr. Hans Black, Director

/s/ Mr. Jim Wyant, Director

Wi2Wi Corporation

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of U.S. dollars, except net loss per share)

For the Years Ended December 31,	2012	2011
Revenues	$ 3,262	$ 4,930
Cost of Revenues	2,153	2,984
Gross Profit	1,109	1,946
Operating Expenses (Note 17)		
Research and development	1,166	1,047
Selling, general and administrative	3,897	2,875
Total Operating Expenses	5,063	3,922
Loss from Operations	(3,954)	(1,976)
Interest expense (Note 10 and 13)	152	74
Loss before Income Taxes	(4,106)	(2,050)
Provision for income tax (Note 18)	-	-
Net Loss and Total Comprehensive Loss	$ (4,106)	$ (2,050)
Net loss per share, basic and diluted	(0.01)	(0.01)

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Deficit
(In thousands of U.S. dollars, except share data)

	Common Shares		Preferred Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount				
Consolidated Balances, December 31, 2010	246,749,963	$ 13,065	2,700,000	$ 2,171	$ (16,552)	$ (1,316)
Issuance of common shares for cash	12,800,000	1,280	-	-	-	1,280
Issuance of common shares related to proceeds received in prior year (Note 15)	4,666,666	400	-	(400)	-	-
Receipt of investor funds in advance of share issuance	-	-	-	600	-	600
Share-based compensation expense	-	-	-	135	-	135
Net loss and comprehensive loss	-	-	-	-	(2,050)	(2,050)
Consolidated Balances, December 31, 2011	264,216,629	14,745	2,700,000	2,506	(18,602)	(1,351)
Issuance of common stock warrants to lenders	-	-	-	87	-	87
Issuance of common shares for cash	14,900,000	1,490	-	-	-	1,490
Issuance of common shares related to proceeds received in prior year (Note 15)	6,000,000	600	-	(600)	-	-
Conversion of notes to common shares	5,250,000	525	-	-	-	525
Issuance of common shares for broker fees associated with equity fundraising	250,000	-	-	-	-	-
Issuance of common shares upon exercise of stock options	3,000,000	168	-	-	-	168
Conversion of preferred shares to common	139,600	-	(200,000)	-	-	-
Share-based compensation expense	-	-	-	576	-	576
Net loss and comprehensive loss	-	-	-	-	(4,106)	(4,106)
Consolidated Balances, December 31, 2012	293,756,229	$ 17,528	2,500,000	$ 2,569	$ (22,708)	$ (2,611)

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

For the Years Ended December31,		2012		2011
Operating Activities				
Net loss	$	(4,106)	$	(2,050)
Adjustments for non-cash items:				
Depreciation and amortization		47		66
Share-based compensation		576		135
Change in fair value of warrant liabilities		(5)		(7)
Amortization of warrants		83		40
Changes in assets and liabilities:				
Accounts receivable		455		130
Inventories		275		146
Deferred inventory costs		176		(169)
Prepaid expenses and other current assets		(135)		(41)
Accounts payable		(552)		(300)
Accounts payable to related parties		730		42
Accrued liabilities		89		79
Deferred revenue		(394)		304
Net Cash Used in Operating Activities		(2,761)		(1,625)
Cash Flows from Investing Activities				
Additions to property and equipment		(16)		(35)
Net Cash Used in Investing Activities		(16)		(35)
Cash Flows from Financing Activities				
Proceeds from (repayment of) bank borrowings		(329)		(226)
Proceeds from bridge loans		1,155		
Proceeds from note payable to ISE		300		-
Receipt of investor funds in advance of share issuance		-		600
Exercise of stock options		168		-
Issuance of common shares for cash		1,490		1,280
Net Cash Provided by Financing Activities		2,784		1,654
Net Increase (Decrease) in Cash		7		(6)
Cash, beginning of period		25		31
Cash, at end of period	$	32	$	25
Supplemental Disclosure of Cash Flow Information:				
Interest paid	$	67	$	38
Issuance of 250,000 shares issued for broker fees	$	25	$	-
Non cash investing and financing activities:				
Conversion of bridge loans into common stock	$	525	$	-
Conversion of Preferred C shares into common	$	-	$	-
Issuance of warrants classified as deferred financing costs	$	87	$	-
Issuance of commons shares related to proceeds received in prior year	$	600	$	-

See accompanying notes to consolidated financial statements.

1. Nature and Description of the Company

Sargeant Bay Capital, Inc., a Canadian entity, was incorporated pursuant to the Canadian Business Corporation's Act on July 9, 2004. On December 12, 2005, Sargeant Bay Capital, Inc. changed its name to Wi2Wi Corporation and became the legal parent of its wholly owned operating subsidiary, Wi2Wi Inc., a Delaware company, through a reverse takeover transaction. Wi2Wi Inc., headquartered in San Jose, California, was incorporated on April 29, 2005 and was mainly inactive until it acquired the original equipment manufacturing (OEM) products division of Actiontec Electronics on October 1, 2005. Together, Wi2Wi Corporation and Wi2Wi Inc. constitute the Company.

The Company's fiscal year was October 1 through September 30 from inception through September 30, 2010. In November 2011, the Company changed its fiscal year end to December 31. The accompanying consolidated financial statements have been prepared for the 12 months ended December 31, 2012 and 2011.

The Company designs, manufactures and markets system in package and modular products for wireless applications worldwide. The Company's head office is located in San Jose, California.

2. Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has experienced recurring losses and has a working capital deficit and total shareholders' deficit at December 31, 2012 of $2,634 and $2,611, respectively. These matters, among others, raise substantial doubt about the ability of the Company to continue in existence as a going concern and the appropriateness of the use of the going concern assumption. Management's plans with regard to these matters are discussed below.

The application of the going concern basis is dependent on the continued support of the shareholders and ultimately on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from a combination of future cash flows from operations, debt financing under existing and expected new arrangements and future funding from existing shareholders to meet the Company's liabilities and commitments as they become payable. The Company has received additional capital from current shareholders in the past and is of the opinion that this will continue; however, the Company will continue to be dependent on additional financing in the future until such time as the Company becomes profitable and there can be no assurances that such additional financing will be available or that the Company will ultimately achieve profitability.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets, the reported revenues and expenses, and the balance sheet classification used.

3. Basis of Preparation

Statement of Compliance and Authorization

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 6.

These consolidated financial statements have been authorized for issue by the Board of Directors on April 30, 2013.

Basis of Presentation

These consolidated financial statements were prepared under the historical cost convention.

The consolidated financial statements include the financial statements of Wi2Wi Corporation and its wholly owned subsidiary, Wi2Wi Inc. All intercompany balances and transactions have been eliminated in consolidation.

4. Significant Accounting Policies

Inventories

Inventories are recorded at the lower of average cost or net realizable value. As a supplier of system in package and modular products, inventory cost consists of amounts paid to the Company's contract manufacturers for product that is drop shipped to customers or shipped to the Company's location in San Jose, California. Charges for excess and obsolete inventory are recorded based on inventory age, shipment history and forecasted demand. The markets that the Company serves can be volatile and actual results may vary from the Company's forecast or other assumptions, potentially impacting the Company's inventory valuation and resulting in material effects on its gross margin.

The Company sells product directly to end customers as well as through distributors. Inventory at distributor locations is reported as deferred inventory costs and is recognized as cost of goods sold once the distributors have sold the product to a third party and revenue had been recognized.

Property and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are computed using the straight line method over estimated useful lives of three years for computer equipment and software, and five years for machinery and equipment and office furniture and fixtures. Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

In accordance with IAS 36, *Impairment of Assets*, non-financial assets to be held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the Company must estimate the difference between the carrying amount of the asset and the recoverable amount. That difference is the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment charges can be subsequently reversed if they no longer exist but cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in the prior years. No impairment charges have been recorded for any of the periods presented.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. All financial instruments are initially measured at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: fair value through profit and loss (FVTPL), held to maturity, loans and receivables, available for sale and other liabilities. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash	Loans and receivables	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank borrowings	Other liabilities	Amortized cost
Senior bridge loans	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. The Company will assess at each reporting period whether a financial asset is impaired. An impairment loss, if any, is included in income or loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is calculated as the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported on a net basis, such provisions are recorded in a separate allowance account with the loss being recognized within selling, general and administrative expenses in the Consolidated Statements of Loss and Comprehensive Loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Other liabilities are measured at fair value on initial recognition, net of transaction costs and subsequently at amortized cost using the effective interest rate method.

Financial instruments classified as FVTPL are measured at fair value on initial recognition and are subject to remeasurement at each balance sheet date with any changes in fair value being recognized in the Consolidated Statements of Loss and Comprehensive Loss.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Income Taxes

The Company accounts for income taxes under IAS 12, *Income Taxes*, which requires an asset and liability approach to recording deferred taxes. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable income is probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date.

Management periodically reviews the Company's provision for income taxes and deferred tax assets and liabilities to determine whether the overall tax estimates are reasonable. When management performs its assessments, it may be determined that an adjustment is required. These adjustments, if required, may have a material impact on the Company's consolidated financial position and results of operations.

Foreign Currency Translation

The Company's presentation and functional currency is the US dollar. The functional currency of the Company's self-sustaining foreign subsidiary, Wi2Wi Inc., is its local currency of US dollars.

There were no gains or losses arising from transactions denominated in currencies other than the functional currency for the periods ended December 31, 2012 and 2011.

Revenue Recognition

The Company generates revenue through direct sales to its customers as well as through distributors. In accordance with IAS 18, *Revenue*, the Company recognizes revenue when the following fundamental criteria are met: (i) the significant risks and rewards of ownership of the goods have transferred to the buyer; (ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company also sells product to distributors. The Company does not recognize revenue until its distributors have sold the product to a third party, and the right of return or price protection has lapsed.

Research and Development

Pursuant to IAS 38, *Intangible Assets*, research costs are expensed and development costs are capitalized as an asset if certain criteria are satisfied. The development costs incurred in the years ended December 31, 2012 and 2011, respectively, did not satisfy the criteria and therefore were expensed.

Share-Based Payments

The Company has a stock option plan and issues stock options to directors, employees and other service providers. This fair value of options granted is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. All share-based remuneration is ultimately recognized as an expense in the Consolidated Statement of Loss and Comprehensive Loss with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to contributed surplus are allocated to share capital. Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive loss is charged with the fair value of goods and services received.

Compensation costs attributable to stock options granted are measured at fair value at the date of grant and are expensed over the vesting period, using a graded vesting schedule, with a corresponding increase in contributed surplus.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2012, have had a material effect on the consolidated financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncements may have an impact on the Company:

As of January 1, 2015, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the first phase of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Company's Consolidated Financial Statements will not be known until the project is complete.

In May 2011, the IASB released the following new standards: IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosures of Interests in Other Entities* and IFRS 13, *Fair Value Measurement*. Each of these standards is to be adopted for fiscal years beginning January 1, 2013 with earlier adoption permitted. A brief description of each new standard follows below:

i. IFRS 10, *Consolidated Financial Statements*, supersedes IAS 27, *Consolidation and Separate Financial Statements*, and SIC-12, *Consolidation - Special Purpose Entities*. This standard provides a single model to be applied in control analysis for all investees including special purpose entities.

ii. IFRS 11, Joint Arrangements, divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting.

iii. IFRS 12, *Disclosure of Interests in Other Entities*, combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.

iv. IFRS 13, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company is currently analyzing the expected impact, if any, that the adoption of each of these standards will have on its consolidated financial statements.

6. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Product Warranty

The Company offers a standard one-year product replacement warranty. The Company assesses the level and materiality of return material authorizations and determines the estimated returns for defective products at the time revenue is recognized. On occasion, management may determine to accept product returns beyond the standard one-year warranty period. In those instances, the Company accrues for the estimated cost at the time the decision to accept the return is made. As a consequence of the Company's standardized manufacturing processes and product testing procedures, returns of defective product are infrequent and the quantities have not been significant. Accordingly, historical warranty costs have not been material. Actual claim costs may differ from management's estimates.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Inventories

Inventories are recorded at the lower of average cost or net realizable value. Charges for excess and obsolete inventory are recorded based on inventory age, shipment history and forecasted demand. The Company's business is subject to technology changes which may cause selling prices to change rapidly. Moreover, the markets that the Company serves can be volatile and actual results may vary from the Company's forecast or other assumptions, potentially impacting the Company's inventory valuation and resulting in material effects on its gross margin.

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including property, plant and equipment at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of the property and equipment useful lives are provided in Note 4.

7. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company has a bad debt reserve of $25 in each of the 2012 and 2011 periods, to cover potential doubtful accounts.

8. Inventories

Inventories consist of:

December 31,		2012		2011
Raw materials and work in progress (gross)	$	153	$	446
Inventory write-down		(3)		(56)
Raw materials and work in progress (net)		150		390
Finished goods (gross)		8		71
Inventory write-down		-		(28)
Finished goods (net)		8		43
Total	$	158	$	433

The cost of finished goods and component inventories recognized as expense due to write off of certain inventory items and included in cost of sales for the periods ended December 31, 2012 and 2011 was $3, and $36, respectively.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

9. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Total
Cost				
Balance as of December 31, 2010	357	68	70	495
Additions	16	14	5	35
Balance as of December 31, 2011	373	82	75	530
Additions	10	6	-	16
Balance as of December 31, 2012	**$ 383**	**$ 88**	**$ 75**	**$ 546**
Accumulated Depreciation				
Balance as of December 31, 2010	$ 212	$ 63	$ 68	$ 343
Additions	57	7	2	66
Balance as of December 31, 2011	269	70	70	409
Additions	39	6	2	47
Balance as of December 31, 2012	**$ 308**	**$ 76**	**$ 72**	**$ 456**
Net Book Value				
At December 31, 2011	$ 104	$ 12	$ 5	$ 121
At December 31, 2012	$ 75	$ 12	$ 3	$ 90

Depreciation expense for the periods ended December 31, 2012 and December 31, 2011 was $47, and $66, respectively, and is classified as selling, general and administrative expense in each period.

10. Debt

Bank Borrowings

The Company's Business Financing Agreement (the agreement) with a commercial bank expired on March 22, 2012. In December 2009 the Company entered into the agreement which allowed borrowings of 80% of eligible receivables up to the credit limit of $2.5 million. It was collateralized by the Company's personal property including accounts receivable of $908 as of December 31, 2011. Borrowings under the agreement bore interest on the outstanding balance at 2% above the Prime Rate.

In August 2010 the agreement was modified to allow Vendor Assurances (VA) to be issued by the bank to the Company's suppliers for eligible purchase orders. The Company was charged a fee for each VA transaction equal to the greater of a minimum fee or 1.5% of the transaction amount.

As of December 31, 2012 and 2011 the Company had outstanding borrowings of zero and $329, respectively under the facility. In connection with the facility, the Company issued warrants to purchase shares of the Company's common stock (see Note 13).

Senior Bridge Loan Offering

In May 2012 the Company commenced an offering of Senior Bridge Loans of up to $2.0 million to qualified investors. Borrowings under the offering bear interest at 10% - 12% per annum, payable at the end of the six month term. In connection with the offering, the Company issued detachable warrants to purchase shares of the Company's common stock (see Note 16).

The Senior Bridge Loans were not originally convertible into common stock. However, as a condition of closing the reverse takeover (the RTO transaction) of International Sovereign Energy Corp ("ISE") which is discussed in Note 22, the Toronto Stock Exchange Venture Exchange required that a minimum of $500 of promissory notes issued pursuant to the Senior Bridge Loan Facility had to be converted into Wi2Wi Common Shares at a price of $0.10 per share. Holders of $525 of the Senior Bridge Loan Notes had their notes converted into 5,250,000 Wi2Wi common shares on December 19, 2012. As of December 31, 2012, the Company had outstanding loans of $630.

Note Payable - International Sovereign Energy Corp

In connection with the RTO transaction (see Note 22), ISE advanced to the Company $300 (Canadian dollars) in the form of a secured bridge loan on December 12, 2012. The loan bears interest at 12% per annum and is payable on the earlier of demand by ISE or January 30, 2013. The loan was secured by the assets of Wi2Wi, Inc. and a pledge of the common shares of Wi2Wi, Inc. held by Wi2Wi. The loan was forgiven upon the closing of the Plan of Arrangement on January 28, 2013 pursuant to which Wi2Wi completed the reverse takeover.

11. Related Parties

One of the Company's directors is a senior partner of Norton Rose Canada LLP (formerly Ogilvy Renault LLP). The Company has used Norton Rose for legal services and advice and continues to use that firm for such services. The Company incurred expenses of $828 and $92 in the years ended December 31, 2012 and 2011, respectively. The Company owed Norton Rose $1,124 and $510 as of December 31, 2012 and 2011, respectively. Subsequent to December 31, 2012, $500 of the Norton Rose payable was deferred under a promissory note arrangement (see Note 22).

The spouse of a member of the Board of directors executed an unsecured promissory note in August 2005, payable on demand. This note was repaid in full in 2007. The Company has a liability of $37 and $37 as of December 31, 2011 and 2010, respectively, regarding unpaid interest on this loan (see Note 12).

The Company incurred expenses related to travel by a director of $77 and $54 in the years ended December 31, 2012 and 2011, respectively. The Company owed the director $115 and $54 as of December 31, 2012 and 2011, respectively.

An employee of a company that is managed by a director of Wi2Wi was granted an option for 100,000 shares at fair value at the date of grant in September 2011 for accounting services provided. These options are exercisable at a price of $0.10 per common share. The option vests over 24 months.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

12. Accrued Liabilities

Accrued liabilities consist of:

December 31,		2012		2011
Accrued compensation	$	330	$	248
Accrued interest		90		37
Other accrued expenses		-		46
Advances from shareholders		94		94
	$	514	$	425

13. Warrant Liability

In connection with the Business Financing Agreement (see Note 10), the Company issued 750,000 common stock warrants during the year ended December 31, 2011. As of December 31, 2012, a total of 1,450,000 warrants classified as liabilities remain outstanding. The warrants were issued to a commercial bank and contain a provision whereby the exercise price is the lower of $0.10 ($0.075 for one of the 2010 issuances) or the issuance price of the next equity financing round which was not known at this time. Warrants are granted at various exercise prices but not less than the fair value of the Company's shares at the date of grant. Warrants vest immediately and expire in seven years.

Outstanding common stock warrants which include down round protection features are classified as liabilities at fair value under IAS 32, *Financial Instruments*. The common stock warrants with down-round protection features are subject to remeasurement at each balance sheet date with any changes in fair value being recognized in the statements of loss. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants. At that time, the liability related to the common stock warrants with down-round protection features will be reclassified to contributed surplus.

Subsequent to December 31, 2012, the commercial bank waived the down round protection feature (see Note 22).

The fair value of the warrants issued during 2011 was determined to be $40, using the Black-Scholes option valuation model and the amount was amortized to interest expense over the related loan period using the effective interest method.

On December 31, 2012 and December 31, 2011, the fair value of the warrants were recalculated using the following assumptions, and the change in value was recorded as interest expense.

	2012	2011
Fair value of warrants issued	$0.04 - $0.05	$0.05 - $0.06
Expected life range	4.2 - 5.1 years	5.2 - 6.6 years
Risk-free interest rate	0.7% - 1.0%	1.2% - 2.6%
Volatility range	52%	52%
Dividend yield	-	-

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

The change in the fair value of the warrant liability is summarized below:

		Warrant Liability
Balance as of December 31, 2010	$	40
Fair value of warrants issued		40
Re-measurement of warrant liability		(7)
Balance as of December 31, 2011		73
Fair value of warrants issued		-
Re-measurement of warrant liability		(6)
Balance as of December 31, 2012	**$**	**67**

14. Commitments and Contingencies

Leases

In 2005, the Company entered into a noncancelable building lease with an initial term of 27 months, and one two-year renewal option. The lease requires the Company to pay its pro-rata share of all executory costs such as building maintenance and insurance. Minimum rent payments, including free rent, under this lease are recognized on a straight-line basis over the initial term of the lease. In December 2009 and September 2011, the Company extended the lease and re-negotiated the lease terms. The current lease continues through November 2013.

Rental expense for operating leases during the periods ended December 31, 2012 and December 31, 2011 were $125 and $130, respectively.

Future minimum lease payments under the noncancelable operating lease expiring in 2013 amount to $104.

Legal Proceedings

A former company executive has asserted a claim of $3,950 ("the Claim") against certain Directors of the Company for damages incurred as a result of the lost value of Plaintiff's investment, including Class B Convertible Preferred Shares.

The Board of Director's determination is that the Class B shares are no longer convertible (see Note 15). The defendants have filed a defense and examinations of discovery have taken place. The Company is not a party to this matter and has not taken a position as to the Claim. The defendants have vigorously contested the Claim. At this time it is not possible to evaluate the likelihood of an unfavorable outcome. The accompanying financial statements do not include any adjustments related to this matter.

A Hedge Fund with a Private Equity component, that is managed by a company whose Board of Directors includes a Director that is also both a Director and significant shareholder of the Company, was involved in a commercial dispute with two Limited Partner investors in the Hedge Fund, in which the two Limited Partner investors were seeking a return of monies invested in the Private Equity Fund including approximately $2.5 million of which was invested in the Company. A Director of the Company was a defendant in this commercial dispute; however, the Company was not named in any action pertaining to this matter and the case was withdrawn in May 2011. The accompanying financial statements do not include any adjustments related to this matter.

From time to time, third parties have asserted, and may in the future assert claims against the company related to disputes in the normal course of business. At this time there are no such claims against the company which are expected to be material to the company's results of operations or financial condition.

15. Share Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There have been no changes in the Company's definition of capital or capital management objectives during the periods ended December 31, 2012 and December 31, 2011.

Common Shares

The authorized capital stock of the Company consists of an unlimited number of common shares. Holders of common shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders. At December 31, 2012 and 2011 there were 293,756,229 and 264,216,629 common shares outstanding, respectively.

Cash received from shareholders in connection with purchase of the Company's shares of common stock is shown as Contributed Surplus if shares are issued at a later date. Upon issuance of shares, a reclassification is made to reduce the Contributed Surplus by a corresponding amount.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Preferred Shares

The Company has three classes of preferred shares (A, B and C), each authorized for an unlimited number of shares to be issued. Preferred shares are nonvoting and are convertible to common shares on a one for one basis if certain performance criteria are met as noted below. Preferred shares are not entitled to receive dividends and do not convey a right to participate in the assets or profits of the Company. Preferred shares have no voting rights and are not transferable to other parties. Classes and amounts issued and outstanding as of December 31, 2012, and 2011 are as follows:

Preferred class	A	B	C	Total
Shares as of December 31, 2011	1,000,000	1,500,000	200,000	2,700,000
Conversion of shares to common	-	-	(200,000)	(200,000)
Shares as of December 31, 2012	1,000,000	1,500,000	-	2,500,000

The Class A Convertible Preferred Shares are convertible into a like number of Common Shares in the event the Corporation achieved gross margins of $3.5 million for its 2006 financial year, pursuant to the Share Purchase Agreement between the shareholder of Wi2Wi Inc. and Wi2Wi Corporation on December 12, 2006 (the Agreement). The Agreement does not define gross margin. In the absence of any specific definitions or interpretations in the Agreement, management has presumed gross margin equals revenues less cost of revenues. Based upon that, management concluded that the performance criteria of the Agreement was met in 2006 and the Class A Convertible Preferred Shares are currently convertible into 1.0 million common shares at the option of the holder for five years from the date the Company notifies the holder. The Company has not yet notified the holder.

The Class B Convertible Preferred Shares would be convertible into 1,500,000 Common Shares in the event the Corporation achieves gross margins of $11.0 million, with a minimum threshold level, for its 2007 financial year, pursuant to the Agreement. The Agreement does not define gross margin. In the absence of any specific definitions or interpretations in the Agreement, management has presumed gross margin equals revenues less cost of revenues. In the event that the target is not met, the number of Common Shares into which the Class B Convertible Preferred Shares may be converted, will be reduced on a pro rata basis. The Company did not achieve gross margins of $11.0 million in 2007 or the minimum performance threshold and accordingly management concluded that the Class B Convertible Preferred shares are not convertible into common shares.

The holder of the Class A and B Convertible Preferred Shares is a former company executive who has asserted a claim against certain Directors of the Company for damages incurred as a result of the lost value of Plaintiff's investment, including Class B Convertible Preferred Shares (see Note 14).

The initial issuance of the Class A and B Convertible Preferred Shares was not treated as compensation expense in the financial statements, but rather as a component of the consideration given by Wi2Wi Corporation to affect the reverse takeover transaction in December 2005.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

The Class C Convertible Preferred Shares were convertible into a like number of Common Shares only in the event that the holders thereof have raised or caused to have raised a total of $5.0 million in corporation debt or equity prior to June 30, 2006. The actual amount of debt and equity raised prior to June 30, 2006 was $3.5 million or 69.8% of the goal. Accordingly, of the 200,000 outstanding Class C shares, a pro-rated number of 139,600 shares were convertible into common shares as of December 31, 2006. The 200,000 Class C Convertible Preferred Shares were converted into 139,600 common shares during the quarter ended September 30, 2012.

16. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2012 the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan).

Options are granted at an exercise price not less than the fair value of the Company's shares at the date of grant. Options granted to employees generally vest over periods of up to 48 months as determined by the Board of Directors and generally have a 12-month cliff vest followed by a 36-month vesting schedule. Options granted to the Company's directors and certain consultants vest fully upon issuance or vest over 1-2 years.

The Company's Stock Option Plan was amended following Board approval on May 30, 2012 to extend the expiration date on options up to a maximum of 10 years from the date of grant. All options outstanding as of May 30, 2012 for active option holders were extended by an additional three years to a total of 10 years from the date of grant. In addition, the Company also extended the exercise period for vested options of certain former employees and board members. The incremental fair value of the extension of maximum life and exercise period, calculated as the difference between the fair value of the modified instrument and that of the original instrument, was $390. Of this, approximately $340 related to fully vested stock options and therefore was recognized immediately in the Company's Statement of Losses. The remainder relates to options which are currently vesting and will be recognized over the remaining vesting period.

The following table summarizes the stock option activity as of December 31, 2012 and 2011:

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2010	46,655,000	$ 0.06
Options granted	8,725,000	0.10
Options forfeited or expired	(3,280,000)	0.06
Options outstanding at December 31, 2011	52,100,000	0.06
Options granted	1,250,000	0.10
Options exercised	(3,000,000)	0.06
Options forfeited or expired	(2,458,334)	0.06
Options outstanding at December 31, 2012	47,891,666	$ 0.06

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

The following table summarizes stock options outstanding and exercisable as of December 31, 2012:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
$0.05	27,366,666	4.4	27,366,666
0.08	10,425,000	7.0	10,042,146
0.10	10,100,000	8.4	7,105,928
	47,891,666		44,514,740

The fair value of each employee option is estimated on the date of grant using the Black-Scholes option valuation model and expensed using a graded-method over the related service period. The Company estimates its expected stock price volatility using an average historical volatility of a group of similar publicly traded companies over a period equal to the expected term of options granted. The Company estimates the expected term of options granted as being the time from grant to vest plus the midpoint of the time from vest to option expiration. The risk-free interest rate for periods within the contractual life of the option is based on U.S Treasury zero-coupon rates for the estimated holding period.

The value of the Company's stock options granted under its stock option plan granted during the periods ended December 31, 2012 and 2011 was estimated at the date of grant using the following weighted-average assumptions:

	2012	2011
Expected life range	3.08-6.08 years	1.58-4.58 years
Risk-free interest rate	0.51-1.3%	0.12 - 0.6%
Volatility range	41% - 50%	40 - 52%
Dividend yield	-	-

Share-based compensation expense is charged to research and development and selling, general and administrative, as follows:

December 31,	2012	2011
Research and development	$ 47	$ 17
Selling, general and administrative	529	118
	$ 576	$ 135

The weighted average grant date fair value of stock options granted during 2012 and 2011 was $0.04 and $0.03, respectively. As of December 31, 2012, approximately $79 of unrecognized share-based compensation expense related to non-vested awards is expected to be recognized over a weighted-average period of 2.8 years.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Warrants

The Company issued 5,775,000 warrants during the year ended December 31, 2012 in connection with proceeds received under the senior bridge loan offering. They were granted at an exercise price of $0.15 per share, vest immediately and expire 18 months from the date proceeds were received. The fair value was estimated on the respective date of grant using the Black-Scholes valuation model and the following valuation assumptions which are being amortized as interest expense over the respective terms of the senior bridge loans.

The value of the warrants issued during the period ended December 31, 2012 was estimated at the date of issuance using the following weighted-average assumptions:

Expected life	1.5 years
Risk-free interest rate	0.23%
Volatility	52%
Dividend yield	-

The Company issued 750,000 common stock warrants which are subject to remeasurement during the period ended December 31, 2011(see Note 13). The fair value of each warrant granted in earlier periods was estimated on the respective date of grant using the Black-Scholes valuation model.

The Company has issued warrants in prior periods to two commercial banks, a consultant, and six investor/affiliates. They were granted at exercise prices of $0.075 - $2.00. Warrants are granted at various exercise prices but not less than the fair value of the Company's shares. Warrants vest immediately and expire in seven years.

The following table summarizes the warrants issued by the Company as of December 31, 2012 and 2011:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2010	948,000	$ 0.55
Warrants issued	750,000	0.10
Warrants expired	(200,000)	2.00
Warrants outstanding at December 31, 2011	1,498,000	0.13
Warrants issued	5,775,000	0.15
Warrants expired	(48,000)	1.25
Warrants outstanding at December 31, 2012	7,225,000	$ 0.14

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Summarized information about warrants as of December 31, 2012 is as follows:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
Warrants not subject to remeasurement			
$0.15	5,775,000	1.0	5,775,000
Warrants subject to remeasurement			
$0.08	400,000	4.25	400,000
0.10	1,050,000	5.0	1,050,000
	1,450,000		1,450,000

17. Expenses by Nature

December 31,	2012	2011
Compensation	$ 2,672	$ 2,423
Depreciation and amortization	47	66
Facility related expenses	160	214
Professional and consulting services	1,975	1,105
Other costs	209	114
	$ 5,063	$ 3,922

18. Income Taxes

There is no tax provision recorded for the periods ended December 31, 2012 and 2011, respectively.

The total income tax expense differs from the amounts computed by applying the US statutory federal income tax rate of 34% as follows:

December 31,	2012	2011
Computed tax expense (benefit)	$ (1,401)	$ (692)
Nondeductible items and other	1	-
Share-based compensation	342	-
State taxes, net of federal benefit	(181)	(118)
True-ups	76	-
Credits utilized	(94)	(76)
Valuation allowance	1,257	886
	$ -	$ -

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities are as follows:

December 31,	2012	2011
Accruals and reserves	$ 215	$ 717
Share-based compensation	797	-
Net operating loss and research and development credit carryforwards	8,061	7,140
Total deferred tax assets	9,073	7,857
Deferred taxes not recognized	(9,061)	(7,830)
Total deferred tax assets net of write-downs	12	27
Total deferred tax liabilities	(12)	(27)
Net deferred tax assets	$ -	$ -

In assessing the realizability of future tax assets, management considers whether it is probable that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences are included in or deductible from taxable income.

Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of losses and projections for future taxable income over the periods to which the future tax assets are applicable, management believes it is not probable that the Company will realize the benefits of these deductible differences and therefore has not recorded any deferred tax assets.

The Company had U.S. federal and state net operating loss (NOL) carryforwards of approximately $18,217 and $18,990, respectively, available to offset future taxable income at December 31, 2012, and approximately $16,122 and $16,935, respectively, at December 31, 2011. The federal NOL carryforwards will expire beginning 2027, if not utilized. The state NOL carryforwards will expire beginning 2017, if not utilized.

In addition, the Company had federal and state research and experimental credit (R&D credit) carryforwards of approximately $505 and $385, respectively, available to offset future income tax liabilities at December 31, 2012, and approximately $456 and $325, respectively, at December 31, 2011. The federal R&D credit carryforwards expire beginning 2026 and the state R&D credit can be carried forward indefinitely.

Federal and state tax laws impose substantial restrictions on the utilization of NOL and R&D credit carryforwards in the event of an "ownership change" for tax purposes, as defined in IRC Section 382. The Company has not performed an ownership change analysis pursuant to Section 382. Therefore, the Company's future utilization of NOL and R&D credit carryforward may be limited.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

19. Business Risks and Concentrations

The main risks that could adversely affect the company's financial assets, liabilities or future cash flows are liquidity risk and credit risk.

Liquidity Risk

The Company has significant liquidity risk as it has experienced recurring losses and had working capital deficits at December 31, 2012 and 2011 of $2,364 and $1,399, respectively. These matters, among others, raise substantial doubt about the ability of the Company to continue in existence as a going concern. See Note 2 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of December 31, 2012 and December 31, 2011, as follows:

	December 31, 2012		December 31, 2011	
Customer	**Revenue %**	**AR %**	Revenue %	AR %
A	**33%**	**26%**	29%	17%
B	**19%**	**45%**	16%	22%
C	-	-	12%	21%
D	-	-	11%	11%
E	**11%**	**20%**	-	-
F	-	-	-	13%

The Company has zero and $7 in outstanding receivables over 90 days at December 31, 2012 and 2011, respectively.

20. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at December 31, 2012 include cash, accounts receivable, bank borrowings, accounts payable and warrant liability. With the exception of the warrant liability, the carrying values of these financial instruments approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The fair value of amounts due to related parties cannot be determined due to the related party nature of the transactions.

When applicable, the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

The fair value of the warrant liability is determined quarterly based on certain unobservable inputs classified as a Level 3 measurement in the fair value hierarchy (see Note 13).

21. Key Management Personnel Compensation

December 31,		2012		2011
Director fees, officer compensation	$	930	$	591
Benefits and other personnel costs		71		52
Share based payments		399		100
	$	1,400	$	743

22. Subsequent Events

Reverse Takeover

On January 28, 2013 the Company completed a Plan of Arrangement under the Canada Business Corporations Act (the "Arrangement") pursuant to which Wi2Wi completed the reverse takeover of International Sovereign Energy Corp ("ISE"). The Arrangement resulted in the amalgamation of ISE and Wi2Wi to form a new public issuer under the name "Wi2Wi Corporation" that will carry on Wi2Wi's current business and operations. The Arrangement received final regulatory approval from the Toronto Stock Exchange Venture Exchange (the "TSXV") on February 4, 2013 and commenced trading on February 5, 2013.

Under the Arrangement ISE acquired all of the issued and outstanding shares of Wi2Wi by issuing to the shareholders of the Company that number of ISE common shares representing 80% of the issued and outstanding ISE common shares after giving effect to the transaction.

ISE was historically engaged in the acquisition, exploration and production of petroleum and natural gas reserves but has ceased operating activities. ISE contributed approximately $3.0 million (Canadian dollars) in connection with the closing of the transaction of which $300 was advanced to the company in the form of a bridge loan on December 12, 2012 (see Note 10).

The following three TSXV closing conditions were satisfied upon closing.

- *Conversion of Bridge Loans into Common Stock*

Although the Senior Bridge Loans were not originally convertible into common stock, as a condition of closing the transaction, $500 of promissory notes issued pursuant to the Senior Bridge Loan Facility had to be converted into Wi2Wi Common Shares at a price of $0.10 per share. Holders of $525 of the Senior Bridge Loan Notes had their notes converted into 5,250,000 Wi2Wi common shares on December 19, 2012 (see Note 10).

- *Deferral of Payments to a Related Party*

As a condition of closing the transaction $500 of the Company's payable to Norton Rose will be deferred until the earlier of 14 months from the closing date of the transaction or completion of a financing equal to or greater than $2,000. Such deferred amounts will bear interest at 10% per annum.

- *Loans from Directors*

Two directors of the Company provided loans on January 24, 2013 amounting to $500 Canadian dollars to the Company in connection with the closing conditions of the RTO transaction. These loans are secured by assets of the Company, bear interest at 10% per annum and mature on the earlier of the Company's signing of a definitive agreement in connection with the extension by Bridge Bank to the Company of a US $2,000 accounts receivable line of credit and such line of credit has been made available to the Company; or twelve months following the date of the loans.

Warrant Liability

In order to satisfy TSXV requirements, a holder of Wi2Wi warrants agreed to a modification to the terms of its 1,450,000 (pre amalgamation) warrants whereby it agreed to waive the down round protection feature (see Note 13). The warrants as originally issued contained a provision whereby the exercise price was the lower of $0.10 ($0.075 for one of the 2010 issuances) or the issuance price of the next equity financing round. As modified the exercise price of the warrants on a pre amalgamation basis is $0.075 for one of the 2010 issuances and $0.10 for the two subsequent issuances.