wi2wi

Wi2Wi
Management Discussion and Analysis

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Wi2Wi Corporation ("Wi2Wi" or the "Company"). It is dated April 30, 2013 and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2012 and 2011 and the audited consolidated financial statements as at and for the years ended December 31, 2011, December 31, 2010, all of which are available on SEDAR at www.sedar.com.

It should also be read in conjunction with the Joint Management Information Circular ("JMIC") of Wi2Wi and International Sovereign Energy Corp ("ISE"), describing the plan of arrangement ("Arrangement") under the *Canada Business Corporations Act* (the "Arrangement") pursuant to which Wi2Wi completed the reverse takeover of ISE receiving court approval on January 8, 2013.

The Arrangement resulted in the amalgamation of ISE and Wi2Wi to form a new public issuer under the name "Wi2Wi Corporation" that is carrying on Wi2Wi's current business and operations. The Company received final regulatory approval of the Arrangement from the TSX Venture Exchange (the "TSXV") on February 4, 2013 and commenced trading under the symbol "YTY" 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 Arrangement.

ISE was historically engaged in the acquisition, exploration and production of petroleum and natural gas reserves, but had ceased operating activities through the sale of all its operating asserts in 2011 and 2012. On closing of the Arrangement ISE contributed in excess of $3.0 million (Canadian dollars) of which $300 was advanced to the Company in the form of a bridge loan on December 12, 2012.

As a result of the Arrangement Wi2Wi is now in a position to take advantage of the benefits of the amalgamation by accelerating its program of development, manufacture and sale of its products that is or will be used in the fast growing connected devise marketplace, the machine to machine (M2M) market, in the industrial, medical, automotive, government and other market segments.

The arrangement is expected to allow the Company to increase sales of its product in 2013 and beyond; improve the gross margins on its product through larger manufacturing runs and lower the logistics costs through larger order deliveries.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that have an impact on the assets and liabilities reported in the financial statements, on the disclosure of future assets and liabilities at the date of the financial statements, as well as on reported earnings and expenses during the periods in question. These estimates and assumptions are based on management experience and on other assumptions and judgments that management deems to be reasonable under the circumstances. Readers are invited to refer to Note 6 of the audited financial statements for a summary of critical accounting estimates and judgments made by the Company.

The financial statements of the Company have been reviewed and approved by the Audit Committee and approved by the Board of Directors. The information that follows has taken into account all significant events that have occurred up to April 30, 2013.

Forward-Looking Statements

This MD&A includes information that is forward-looking in nature. Such statements concern the future earnings of the Company, its operations, its financial results and its financial condition. These forward-looking statements can be identified through use of expressions such as "believe", "foresee", "anticipate", "estimate", "expect" and other similar types of terms and are based on the information available at the time that they were made and on the good faith of management according to information available at this time. We wish to advise the reader that by their very nature, forward-looking statements include an element of uncertainty and the actual results may be significantly different from the assumptions and estimations described in the forward-looking statements. The actual results will be affected by numerous factors over which the Company has no influence. Such factors are not limited to those are more fully described in the JMIC referred to above. Consequently, we recommend against placing undue trust in such forward-looking statements since future events and actual results may differ significantly from any forecasts. Unless otherwise stipulated under current law, the Company does not intend to update these statements to take into account new facts or future events and it makes no undertaking to do so.

Highlights of 2011

- Launched world's smallest industrial temperature GPS Module;
- Launched development of world's smallest industrial-temperature WiFi & WiFi-Bluetooth SiPs;
- Major Design Wins with the industrial temperature product family;
- Completed transfer of SiP productions to Advanced Semiconductor Engineering (ASE) resulting in lower product costs and improved quality and reliability.

Highlights of 2012

- Launched development of Dual-Band With Multiple Antenna (MIMO) advanced technology with target production release scheduled for the second half of 2013;
- Commenced shipment of samples of W2CBW0015, one of the world's smallest extended industrial-temperature WiFi & WiFi-Bluetooth Sips. Production release is scheduled for the end of the second quarter of 2013;
- Completion of the development of W2CBW0016, the world's smallest industrial-temperature WiFi & WiFi-Bluetooth SiP. Production release is scheduled for the end of the third quarter of 2013
- Completion of re-building the America's sales team and network of manufacturers' sales representatives inclusive of eight new sales partners
- GPS Products (0008 & 0084) Production line transfer from Compeq in China to Polar Twins in Malaysia to improve Quality & Reliability of the Company's products.
- Major New Design Wins with Tier-1 & Key Customers, with customers' production orders expected in late 2013 & 2014..
- Plan of Arrangement approved by shareholders of Wi2Wi and ISE. See the JMIC, which is available on Sedar at www.sedar.com for further description.
- During the First Quarter of 2012, the financing arrangements with Bridge Bank were discharged and later in 2012 were partially replaced by funds raised under a note and warrant program. A portion of these notes were converted into equity as more fully described in Note 15 to the Financial Statements.

Description of the Business

Wi2Wi designs, manufactures and markets miniaturized embedded wireless connectivity solutions (incorporating both hardware and software) for premium industrial/medical, smart-home/smart building and government markets worldwide. These products and value added services provide highly integrated, multifunctional wireless sub systems for mobile applications of all forms for mobile devises.

The company products include single and multifunctional products with 802.11, Bluetooth and GPS sub systems.

The Company does not have any manufacturing capabilities and the manufacture and assembly is outsourced to sub-contractors.

Incorporated in 2004, the Company was largely inactive until it acquired the original equipment manufacturing (OEM) products division of Actiontec Electronics in 2005.

Selected Quarterly Information – Quarters and Year ended December 31, 2012 and 2011

	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(3 Months)	(3 Months)	Year	Year
(in thousands of U.S. dollars)	$	$	$	$
Statement of Results				
Revenues	665	1,518	3,262	4,930
Gross Profit	246	565	1,109	1,946
Operating Expenses				
Research and development	310	340	1,166	1,047
Selling, general and administrative	847	821	3,897	2,875
Net Loss after interest and before income taxes	**(1,021)**	**(608)**	**(4,106)**	**(2,050)**

Financial Position

	December 31, 2012 $	December 31, 2011 $
Cash	$32	$25
Working Capital Deficit	(2,634)	(1,399)
Total Assets	1,047	1,839
Debt	930	-
Total Liabilities	3,658	3,190
Shareholders' Equity Deficit	$(2,611)	$(1,351)

Selected Quarterly Information

The following table presents selected quarterly financial data for the last eight quarters.

	2012			
	Q4	Q3	Q2	Q1
(in thousands of U.S. dollars)	$	$	$	$
Statement of Results				
Revenues	665	858	938	801
Gross Profit	246	281	295	287
Operating Expenses				
Research and development	310	286	297	273
Selling, general and administrative	847	895	1,460	695
Net Loss before interest and income taxes	**(911)**	**(900)**	**(1,462)**	**(681)**

	2011			
	Q4	Q3	Q2	Q1
(in thousands of U.S. dollars)	$	$	$	$
Statement of Results				
Revenues	1,518	1,245	907	1,260
Gross Profit	565	648	271	462
Operating Expenses				
Research and development	340	216	254	237
Selling, general and administrative	821	727	669	658
Net Loss before interest and income taxes	**(596)**	**(295)**	**(652)**	**(433)**

Results of Operations

The audited condensed consolidated financial statements for the quarter and year ended December 31, 2012 and 2011 form an integral part of this MD&A. All amounts are expressed in thousands of U.S. dollars.

Quarter and year ended December, 2012 as compared with the Quarter and year ended December 31, 2011

Revenue

Revenues for the quarter and year ended December 31, 2012 were $665 and $3,262, respectively, compared to revenues for and year ended December 31, 2011 of $1,518 and $4,930, respectively. Revenues decreased 56% and 34% for the quarter and year ended December 31, 2012, compared to the same periods in 2011 primarily due to insufficient working capital resulting in the inability by the Company to procure an adequate and consistent supply of product, in spite of good demand and backlog for Company's products throughout 2012. Previously in 2010 and 2011 the Company had successfully used the Bridge Bank Credit Facilities as working capital to build products.

The industry transition to newer standards, reflected in Wi2Wi new products introduced in 2012, also partly affected the overall demand. During the year, a number of new generation products were introduced by the Company. These products were developed and introduced in response to customer needs and have been successfully integrated into the portfolio with further growth in 2013.

Gross Profit

Cost of revenues consists of the costs of parts, costs incurred from contract manufacturers to assemble and test the Company's products, as well as the direct and indirect costs incurred to manage the outsourced manufacturing and supply chain.

Gross profits for the quarter and year ended December 31, 2012 were $246 and $1,109, respectively, compared to gross profits for the quarter and year ended December 31, 2011 of $565 and $1,946, respectively.

Gross profits decreased by 56% and 43% for the quarter and year ended December 31, 2012, compared to the same periods in 2011 due to lower sales volumes. The sale of certain inventory for $122 in the third quarter, which had been previously written off, limited the decline in the margin percentage.

Gross margins for the quarter and year ended December 31, 2012 were 37% and 34%, respectively, compared to gross margins for the quarter and year ended December 31, 2011 of 37% and 39%, respectively. The margin variance is due to the mix of products sold.

Research and Development Expenses

Research and development expenses consist primarily of expenses related to the design of the Company's products and development of prototypes.

Research and development expenses for the quarter and year ended December 31, 2012 were $310 and $1,166, respectively, compared to research and development expenses for the quarter and year ended December 31, 2011 of $340 and $1,047, respectively. Research and development expenses decreased by 9% for the quarter ended December 31, 2012 and increased by 11% for the year ended December 31, 2012, compared to the same periods in 2011. The change is the result of staffing costs increasing year over year.

Selling, General and Administrative Expenses (SG&A)

Selling expenses consist of sales and marketing expenses associated with efforts to market and sell the Company's products. General and administrative expenses consist of expenses for administrative personnel, professional fees, insurance and other corporate expenses. Included in SG&A for the year ended December 31, 2012 were certain costs related to the Plan of Arrangement.

SG&A expenses for the quarter and year ended December 31, 2012 were $847 and $3,897, respectively, compared to SG&A expenses for the quarter and year ended December 31, 2011 of $821 and $2,875, respectively. SG&A expenses increased by 3% for the quarter ended December 31, 2012 and increased 36% for the year ended December 31, 2012, compared to the same periods of 2011. The changes in the quarter and year ended December 31, 2012 were due principally to legal and accounting fees associated with the Arrangement and higher stock compensation expenses.

Stock compensation expenses increased $17 for the quarter ended December 31, 2012 compared to $46 for the quarter ended December 31, 2011. Stock compensation expense was $576 for the year ended December 31, 2012 compared with $135 for the year ended December 31, 2011. The changes are due principally to new options issued as well as the effect of the amendment to the Stock Option Plan, approved in May 2012, extending the expiration term on options by three years to a total of 10 years, and to the extension of the exercise period for vested options of certain former employees and board members. See Note 15 of the audited financial statements for the year ended December 31, 2012.

Interest Expense

Interest expense for the quarter and year ended December 31, 2012 were $110 and $152, respectively, compared to interest expense for the quarter and year ended December 31, 2011 of $12 and $74, respectively. The increase in interest expense for the quarter and year ended December 31, 2012 was due to the costs related to the senior bridge loans and due to the amortization of the fair value for warrants that had been issued. See Note 13 of the audited financial statements for the year ended December 31, 2012 for further explanation of interest expense related to warrants issued.

Liquidity and Capital Resources

As of December 31, 2012, the Company had cash of $32 compared to $25 as of December 31, 2011. The Company had a net working capital deficit and total shareholders' deficit of $2,634 and $2,611 respectively as of December 31, 2012 compared to deficits of $1,399 and $1,351 as of December 31, 2011.

Since the Company is not generating positive cash flow from operations, it manages capital by budgeting for its working capital needs, and securing debt and equity financing in order to fund its operations.

Through December 31, 2012, $1,155 has been received under a senior bridge loan offering which commenced in May 2012. Although the senior bridge loans were not originally convertible into common shares, as a condition of closing the reverse takeover (the RTO transaction) of International Sovereign Energy Corp ("ISE"), 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 loans converted their notes into 5,250,000 common shares of the Company on December 19, 2012.

During the year 6,000,000 shares were issued related to proceeds of $600 received in prior periods. As mentioned above, a further 5,250,000 shares were issued on conversion of Senior Bridge Loans of $525. 250,000 shares were issued as broker fees related to equity fundraising efforts. A further 3,000,000 shares were issued on exercising stock options for proceeds of $168. In addition, the Class C Preferred shares were converted into 139,600 common shares of the company.

In order to satisfy certain working capital requirements prescribed by the TSXV, two directors of the Company provided secured interest bearing loans of $500 (Canadian dollars) by way of promissory notes, bearing interest at the rate of $10%. These transactions were completed in January 2013.

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. The Company will continue to be dependent on additional financing in the future until such time as the Company becomes profitable. See Risk Factors that the Company could face in the JMIC available on SEDAR at www.sedar.com.

Operating Activities

For the year ended December 31, 2012, operating activities used cash of $2,761 compared to cash used of $1,625 for the year ended December 31, 2011. The increase in cash used of $1,136 was due to the following factors:

- an increase in the net loss of $2,056, partially offset by non-cash items of $701; and
- A net inflow of working capital components of $644, due principally to changes in accounts receivable, inventory, deferred inventory, accounts payable to related parties and accrued liabilities.

Investment Activities

Cash flow related to investment activities consisted of expenditures for property and equipment in both the year ended December 31, 2012 and December 31, 2011. The Company is not capital intensive as the capital expenditures were $16 for the year ended December 31, 2012 and $35 for the year ended December 31, 2011.

Financing Activities

Cash proceeds from financing activities were $2,784 in the year ended December 31, 2012 compared to $1,654 in the year ended December 31, 2011. The primary financing activities in the year ended December 31, 2012 compared to the year ended December 31, 2011 were as follows:

- Proceeds from common stock issues of $1,490 in the year;
- Stock options exercised for proceeds of $168;
- offset by a reduction in net bank borrowings of $329 compared to an reduction of $226 in the previous year, and proceeds from the senior bridge loan offering of $1,155 in the year ended December 31, 2012; and
- Loan of $300 provided by ISE prior to completion of the Plan of Arrangement.

Off Balance Sheet Arrangements

There were no off balance sheet transactions entered into during the period, nor are there any outstanding as of the date of this MD&A.

Related Party Transactions

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 Canada for legal services and advice in the past and continues to use Norton Rose Canada LLP for such services. The Company incurred expenses of $203 and $33 in the three-months ended December 31, 2012 and 2011, respectively and $828 and $92 in the year ended December 31, 2012 and 2011, respectively. The Company owed Norton Rose Canada LLP $1,124 and $510 as of December 31, 2012 and December 31, 2011, respectively.

Subsequent to December 31, 2012 the Company incurred additional expenses of $160 and owed Norton Rose Canada LLP $1,034. As a condition of closing of the Arrangement, $500 payable to Norton Rose will be deferred until the earlier of 14 months from the closing date or completion of financing equal to or greater than $2,000. Such deferred amounts will bear interest at 10% per annum.

The Company has incurred expenses related to travel by a director of $22 and $53 in the three months ended December 31, 2012 and 2011, respectively and $77 and $54 in the year ended December 31, 2012 and 2011, respectively. The Company has accrued payables of $115 and $54 due to the director as of December 31, 2012 and December 31, 2011, respectively.

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

Application of Critical Accounting Estimates

The significant accounting policies used by the Company and critical accounting estimates and judgements made by the Company are disclosed in Notes 4 and 6 to the audited consolidated financial statements for the years ended December 31, 2012 and 2011. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The emergence of new information and changed circumstance may result in actual results or changes to estimate amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

Inventories

Inventories are recorded at the lower of average cost or net realizable value. As a supplier of system in package (SiP) 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. 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.

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 whether it is appropriate to accrue for estimated returns of 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.

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 leased furniture and fixtures, and five years for machinery and equipment and non-leased office furniture and fixtures. Fixed assets under a capital lease are being amortized straight line over the estimated lower of the lease term or useful life of the asset. 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 fair value. If the discounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Impairment charges can be subsequently reversed if the value changes. 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	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank borrowings	Other liabilities	Amortized cost
Senior bridge loans	Other liabilities	Amortized cost
Convertible notes obligation	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 the Statement of 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. A valuation allowance is recorded to reduce deferred tax assets when it is probable that a tax benefit will not be realized. 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 valuation allowance 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 financial position and results of operations.

Foreign Currency Translation
The Company's presentation currency is the US dollar. The functional currency of the Company's self-sustaining foreign subsidiary, Wi2Wi Inc., is its local currency of U.S. dollars. The functional currency of the Company's parent company, Wi2Wi Corporation, is U.S. dollars.

There were no gains or losses arising from transactions denominated in currencies other than the functional currency for the three months and the year 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 Company 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 Company; 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 for 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 three months and year 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.

IFRS

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.

ISR is currently analyzing the expected impact, if any, that the adoption of each of these standards will have on its Consolidated Financial Statements.

The Company has prepared the financial information contained in this discussion and analysis in accordance with IFRS. Reference is also made to net loss, operating margin, earnings before interest and income taxes. The calculations of these measures can be found embedded in the MD&A.

The Company uses these non-IFRS measures as a benchmark measurement of its own operating results. We consider these non-IFRS measures to be a meaningful supplement to net earnings. We also believe these non-IFRS measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. While these non-IFRS measures have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance, readers are cautioned that these non- IFRS measures as reported by the Company may not be comparable in all instances to non-IFRS measures as reported by other companies.

Net loss before interest and income taxes does not represent cash generated from operations as defined by IFRS and it is not necessarily indicative of cash available to fund cash needs. Furthermore, loss before interest and income taxes does not reflect the impact of a number of items that affect the net loss. Earnings before interest and income taxes are not a measure of financial performance under IFRS, and should not be considered as an alternative to measures of performance under IFRS.

The glossary of financial terms is as follows:

- Net Loss: Revenue - cost of sales - operating expenses
- Margin: Gross Profit/ revenue
- Net cash used in Operating Activities: Net Loss +/- items not affecting cash (please see consolidated statement of cash flows)

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Our disclosure controls are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012, have concluded that the Company's disclosure controls are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded appropriately to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition or use or disposition of our assets that could have a material effect on the financial statements. Based on their evaluation, the CEO and CFO have concluded that, as at December 31, 2012, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

There were no changes in internal control over financial reporting that occurred during the Company's most recent year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting

Management's Responsibility for Financial Reporting

The consolidated financial statements and management's discussion and analysis of operations contained in this MD&A are the responsibility of the Company's management. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that it's reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this MD&A is consistent with the information contained in the consolidated financial statements.

BDO USA, LLP, the independent auditor appointed by the shareholders in 2012, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their independent auditor's report is set out in the

Financial Statements at December 31, 2012. The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, who are not officers of the Company, reports to the Board of Directors.

Risk Factors

The Risk factors that the Company could face are more fully described in the JMIC available on SEDAR at www.sedar.com. Various risk factors are also described in comments made in this MD&A.

Subsequent Events

On January 8, 2013, the Plan of Arrangement received final Court Approval.

On February 4, 2013, the Amalgamated Company received TSXV approval and commenced trading on February 5, 2013 under the symbol YTY.