Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in U.S. Dollars)

Three and Nine Months Ended September 30, 2012 and September 30, 2011

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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(Unaudited, expressed in U.S. Dollars)

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

	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash	$ **106**	$ 25
Trade accounts receivable, net of allowance for doubtful debt of $25 and $25 as of September 30, 2012 and December 31, 2011 (Note 6)	**650**	908
Inventories (Note 7)	**201**	433
Deferred inventory costs	**116**	293
Prepaid expenses and other current assets	**109**	59
Total current assets	**1,182**	1,718
Property and equipment, net (Note 8)	**99**	121
Total Assets	$ **1,281**	$ 1,839
Liabilities		
Current Liabilities		
Bank borrowings (Note 9)	**-**	329
Senior bridge loans (Note 9)	**980**	-
Accounts payable	**695**	1,277
Accounts payable to related parties (Note 10)	**1,029**	510
Accrued liabilities (Note 11)	**481**	425
Deferred revenue	**206**	576
Total current liabilities	**3,391**	3,117
Warrant liability (Note 12)	**68**	73
Total Liabilities	**3,459**	3,190
Commitments and Contingencies (Note 13)		
Equity (Deficit)		
Common shares – no par value (Note 14)	**17,003**	14,745
Preferred shares – no par value (Note 14)	**-**	-
Contributed surplus	**2,541**	2,506
Accumulated deficit	**(21,722)**	(18,602)
Total shareholders' deficit	**(2,178)**	(1,351)
Total Liabilities and Shareholders' Deficit	$ **1,281**	$ 1,839

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf
of the Board of Directors: /s/ Dr. Hans Black, Director /s/ Mr. Jim Wyant, Director

Wi2Wi Corporation

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)

(In thousands of U.S. dollars)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues	**$ 858**	$ 1,245	**$ 2,597**	$ 3,412
Cost of Revenues	**577**	596	**1,734**	2,030
Gross Profit	**281**	649	**863**	1,382
Operating Expenses (Note 16)				
Research and development	**286**	216	**856**	707
Selling, general and administrative	**895**	728	**3,050**	2,055
Total Operating Expenses	**1,181**	944	**3,906**	2,762
Loss from Operations	**(900)**	(295)	**(3,043)**	(1,380)
Interest expense (Note 9 and 12)	**42**	6	**77**	62
Loss before Income Taxes	**(942)**	(301)	**(3,120)**	(1,442)
Provision for income tax	**-**	-	**-**	-
Net Loss and Total Comprehensive Loss	**$ (942)**	$ (301)	**$ (3,120)**	$ (1,442)

See accompanying notes to condensed consolidated interim financial statements.

Wi2Wi Corporation

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

	Common Shares		Preferred	Contributed	Retained	Total Shareholders'
	Shares	Amount	Shares	Surplus	Earnings	Equity (Deficit)
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	-	-	-	76	-	76
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 14)	6,000,000	600	-	(600)	-	-
Issuance of stock for broker fees associated with equity fundraising	250,000	-	-	-	-	-
Issuance of shares upon exercise of stock options	3,000,000	168	-	-	-	168
Conversion of preferred shares to common	139,600	-	(200,000)	-	-	-
Stock-based compensation expense	-	-	-	559	-	559
Net loss and comprehensive loss	-	-	-	-	(3,120)	(3,120)
Consolidated Balances, September 30, 2012	**288,506,229**	**$ 17,003**	**2,500,000**	**$ 2,541**	**$ (21,722)**	**$ (2,178)**

See accompanying notes to condensed consolidated interim financial statements.

Wi2Wi Corporation

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

	Nine Months Ending September 30, 2012	2011
Operating Activities		
Net loss	$ (3,120)	$ (1,442)
Adjustments for non-cash items:		
Depreciation	36	53
Stock based compensation	559	56
Change in warrant & other liabilities	(5)	(2)
Amortization of debt issuance costs	36	40
Changes in assets and liabilities:		
Accounts receivable	258	(460)
Inventories	232	76
Deferred inventory costs	177	(137)
Prepaid expenses and other current assets	(10)	(30)
Accounts payable	(582)	(645)
Accounts payable to related parties	519	9
Accrued liabilities	56	(58)
Deferred revenue	(370)	387
Net Cash Used in Operating Activities	(2,214)	(2,153)
Cash Flows from Investing Activities		
Additions to property and equipment	(14)	(34)
Net Cash Used in Investing Activities	(14)	(34)
Cash Flows from Financing Activities		
Proceeds from (repayment of) bank borrowings	(329)	453
Proceeds from bridge loans	980	-
Receipt of investor funds in advance of share issuance	-	700
Exercise of employee stock options	168	-
Issuance of common shares for cash	1,490	1,080
Net Cash Provided by Financing Activities	2,309	2,233
Net Increase (Decrease) in Cash	81	46
Cash, beginning of period	25	31
Cash, at end of period	$ 106	$ 77

Wi2Wi Corporation

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

Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 43	$ 28
Issuance of 250,000 shares issued for broker fees	25	-
Non cash investing and financing activities		
Issuance of common shares upon conversion of Preferred C shares	-	-
Issuance of warrants classified as deferred financing costs	76	-
Issuance of common shares related to proceeds received in prior year	600	-

See accompanying notes to condensed consolidated interim 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, which was spun off from Actiontec Electronics, effective October 1, 2005. Together, Wi2Wi Corporation and Wi2Wi Inc. constitute the Company.

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 condensed consolidated interim 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 September 30, 2012 of $2,209 and $2,178, 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, a planned reverse takeover transaction (refer to Note 18) 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 condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under IAS 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB). These unaudited condensed consolidated interim financial statements do not include all the information and notes required by IFRS for annual financial statements and; therefore, should be read in conjunction with the audited consolidated financial statements and notes for the Company's year ended December 31, 2011.

These condensed consolidated interim financial statements have been authorized for issuance by the Board of Directors on February 13, 2013.

Basis of Presentation

These financial statements were prepared under the historical cost convention. Same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements for the year ended December 31, 2011.

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 on consolidation.

4. New Accounting Policies

Certain new standards, interpretations and amendments were issued by the IASB or IFRS Interpretations Committee (IFRIC) that is mandatory for fiscal periods beginning July 1, 2012 or later. These standards are described in the Company's annual consolidated financial statements for the year ended December 31, 2011 and there have not been any additional standards applicable to the Company issued since.

5. 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 and the reported amounts of revenue and expenses 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 occasions, 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 claims costs were not significantly different than the 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.

Other Estimates

Significant estimates are also used in determining the allowance for doubtful accounts, warrant valuation, and share-based payments.

6. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company has a bad debt reserve of $25 as of September 30, 2012 and December 31, 2011, to cover potential doubtful accounts.

7. Inventories

Inventories consist of:

	September 30, 2012	December 31, 2011
Raw materials and work in progress (gross)	**$ 231**	$ 446
Inventory write-down	**(59)**	(56)
Raw materials and work in progress (net)	**172**	390
Finished goods (gross)	**57**	71
Inventory write-down	**(28)**	(28)

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

Finished goods (net)		**29**		43
Total	$	**201**	$	433

The Company applies the provisions of IAS 2, *Inventories*, which prescribes the accounting treatment for Inventories. 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 three and nine months ended September 30, 2012 and 2011 were both zero.

8. 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	4	-	14
Balance as of September 30, 2012	**$ 383**	**$ 86**	**$ 75**	**$ 544**
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	30	5	1	36
Balance as of September 30, 2012	**$ 299**	**$ 75**	**$ 71**	**$ 445**
Net Book Value				
At December 31, 2010	$ 145	$ 5	$ 2	$ 152
At December 31, 2011	$ 104	$ 12	$ 5	$ 121
At September 30, 2012	**$ 84**	**$ 11**	**$ 4**	**$ 99**

Depreciation expense for the three-months ended September 30, 2012 and 2011 was $11 and $14, respectively, and for the nine months ended September 30, 2012 and 2011 was $36 and $53, respectively. Depreciation expense is classified as selling, general and administrative expense in each period.

9. Debt Financing

Bank Credit Facility

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 September 30, 2012 and December 31, 2011 the Company had outstanding borrowings of zero and $329, respectively under the facility. The outstanding borrowings were paid off in April 2012. In connection with the facility, the Company issued warrants to purchase shares of the Company's common stock (see Note 15).

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 15). As of September 30, 2012, the Company had outstanding loans of $980. Subsequent to September 30, 2012, $525 of bridge loans were converted into common shares (see Note 18).

10. 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 Canada for legal services and advice and continues to use Norton Rose Canada LLP for such services. The Company incurred expenses of $214 and $7 in the three-months ended September 30, 2012 and 2011, respectively and $549 and $21 in the nine month periods ended September 30, 2012 and 2011, respectively. The Company owed Norton Rose $921 and $510 as of September 30, 2012 and December 31, 2011, respectively. Subsequent to September 30, 2012, $500 of the Norton Rose payable was deferred under a promissory note arrangement (see Note 18).

The spouse of a former 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 September 30, 2012 and December 31, 2011, respectively, regarding unpaid interest on this loan (see Note 11).

The Company has incurred expenses related to travel by a director of $34 and zero in the three months ended September 30, 2012 and 2011, respectively and $55 and zero in the nine months ended September 30, 2012 and 2011, respectively. The Company has accrued payables of $108 and $115 due to the director as of September 30, 2012 and December 31, 2012, 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 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)

11. Accrued Liabilities

Accrued liabilities consist of:

	September 30, 2012	December 31, 2011
Accrued compensation	**$ 322**	$ 248
Accrued interest	**65**	37
Other accrued expenses	**-**	46
Advances from shareholders	**94**	94
	$ 481	$ 425

12. Warrant Liability

The Company issued 750,000 common stock warrants during the period ended December 31, 2011 which are classified as liabilities. The warrants were issued to a commercial bank and contain a provision whereby the exercise price is the lower of $0.10 or the issuance price of the next equity financing round which is not known at this time. Warrants are granted at various exercise prices, but not less than the fair value of the Company's shares. The warrants vested 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 Statement of Loss for the respective period. 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.

The fair value of the warrants at the time of issuance was determined to be $40 as of December 31, 2011, 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 September 30, 2012 and 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	**$0.05**	$0.05
Expected life range	**4.47 - 5.35 years**	5.48 – 6.35 years
Risk-free interest rate	**0.6% - 0.8%**	1.0% - 1.3%
Volatility	**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	(5)
Balance as of September 30, 2012	**$ 68**

13. 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 three-months ended September 30, 2012 and 2011 were $32 and $38, respectively, and for the nine months ended September 30, 2012 and 2011 were $94 and $100, respectively.

Future minimum lease payments under the noncancelable operating lease (with initial and remaining lease term in excess of one year) are:

	Operating Lease
2012	$ 31
2013	103
Total minimum lease payments	$ 134

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 14). 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.

14. 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 September 30, 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 September 30, 2012 and December 31, 2011, there were 288,506,229 and 264,216,629 common shares outstanding, respectively.

Cash received from shareholders in connection with purchases 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 September 30, 2012 and December 31, 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 September 30, 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 the Class B Convertible Preferred Shares (see Note 13).

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

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.

The Class C Convertible Preferred Shares were convertible into a like number of Common Shares only in the event that the holders thereof 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. There were 200,000 Class C Convertible Preferred Shares which remain to be converted. 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, 2011. In the three months ended September 30, 2012 the 200,000 Class C shares were converted into 139,600 common shares.

15. Share Based Payments

Stock Option Plan

At September 30, 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. 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 in the Company's Statement of Losses during the three months ending June 30, 2012. The remaining amount of $50 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 September 30, 2012 and December 31, 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

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

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 September 30, 2012	47,891,666	$ 0.06

The following table summarizes stock options outstanding and exercisable as of September 30, 2012:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
$0.05	27,366,666	4.7	27,366,666
0.08	10,425,000	7.3	9,965,007
0.10	10,100,000	8.7	6,832,015
	47,891,666		44,163,688

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 was estimated at the date of grant using the following weighted-average assumptions:

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

	September 30, 2012	December 31, 2011
Weighted average fair value of options granted	$0.04	$0.03
Expected life range	3.08-6.08 years	1.58-4.58 years
Risk-free interest rate	0.51 – 1.3%	0.1 - 0.6%
Volatility range	41 - 50%	40 - 52%
Dividend yield	-	-

Stock compensation expense is charged to research and development and selling, general and administrative, as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	**2012**	2011
Research and development	$ **41**	$ 8	$ **13**	$ 4
Selling, general and administrative	**518**	51	**76**	-
	$ **559**	$ 59	$ **89**	$ 4

As of September 30, 2012, approximately $96 of unrecognized stock compensation expense related to non-vested awards is expected to be recognized over a weighted-average period of 3.0 years.

Warrants

The Company issued 2,500,000 and 4,900,000 warrants during the three and nine months ended September 30, 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 nine months ended September 30, 2012 was estimated at the date of issuance using the following weighted-average assumptions.

Fair value of warrants issued	$0.02
Expected life	1.5 years
Risk-free interest rate	0.22%
Volatility	52%
Dividend yield	-

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

The Company has also 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, vest immediately and expire in seven years.

Warrants are issued at various exercise prices, but not less than the fair value of the Company's shares as of the date of the issuance.

The following table summarizes the warrants issued by the Company as of September 30, 2012 and December 31, 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	4,900,000	0.15
Warrants outstanding at September 30, 2012	6,398,000	$ 0.15

Summarized information about warrants as of September 30, 2012 is as follows:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
Warrants not subject to remeasurement			
$0.15	4,900,000	1.15	4,900,000
1.25	48,000	0.25	48,000
	4,948,000		4,948,000
Warrants subject to remeasurement			
$0.08	400,000	4.5	400,000
0.10	1,050,000	5.25	1,050,000
	1,450,000		1,450,000
Total	6,398,000		6,398,000

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

16. Expenses by Nature

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Compensation	**578**	$ 490	**$ 2,154**	$ 1,684
Depreciation and amortization	**11**	14	**36**	54
Facility related expenses	**40**	47	**116**	155
Professional and consulting services	**500**	330	**1,442**	716
Other costs	**52**	63	**158**	153
	1,181	$ 944	**$ 3,906**	$ 2,762

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 September 30, 2012 and December 31, 2011 of $2,209 and $1,339, 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 September 30, 2012 and 2011, and December 31, 2011, as follows:

	Accounts Receivable %		Revenue % Three months		Revenue % Nine Months	
Customer	September 30, 2012	December 31, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
A	**28%**	17%	**22%**	33%	**32%**	30%
B	**12%**	22%	**18%**	11%	**15%**	16%
C	**-**	13%	**-**	-	**-**	-
D	**-**	21%	**-**	17%	**-**	11%-
E	**-**	11%	**-**	14%	-	11%-
G	**26%**	-	**20%**	-	-	-

The Company has zero and $7 in outstanding receivables over 90 days past due at September 30, 2012 and December 31, 2011, respectively.

17. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at September 30, 2012 include cash, accounts receivable, bridge loans, and accounts payable. 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.

18. Subsequent Events

Bridge Loans

Subsequent to September 30, 2012 the Company has received additional proceeds of $175,000 under its Senior Bridge Loan Offering. The borrowings were payable at the end of the six month term but were paid off early in connection with conversion of the loans to equity as more fully discussed below. In connection with these proceeds, the Company issued 875,000 of detachable warrants to purchase shares of the Company's common stock. The warrants were granted at an exercise price of $0.15 per share, vest immediately and expire 18 months from the date proceeds were received.

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. The loan bears interest at 12% per annum and is payable on the earlier of demand by ISE and 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 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 agreed to convert into 5,250,000 Wi2Wi common shares on December 19, 2012.

- *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.