

Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements (Unaudited, expressed in U.S. Dollars)

Three and Nine Months Ended September 30, 2013 and September 30, 2012

Wi2Wi Corporation

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Wi2Wi Corporation

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

	September 30, 2013	December 31, 2012	September 30, 2012
Assets			
Current Assets			
Cash	\$ 32	\$ 32	\$ 106
Trade accounts receivable, net of allowance for doubtful debt of \$25 and \$25 as of September 30, 2013 and December 31, 2012 (Note 7)	511	453	650
Escrow funds receivable (Note 12)	500	-	-
Inventories (Note 7)	307	158	201
Deferred inventory costs	64	117	116
Prepaid expenses and other current assets	47	197	109
Investment in Legend Oil and Gas (Note 10)	1,498	-	-
Funds held on sale of Legend Oil and Gas shares (Note 10)	147	-	-
Total current assets	3,106	957	1,182
Property and equipment, net (Note 9)	94	90	99
Total Assets	\$ 3,200	\$ 1,047	\$ 1,281
Liabilities			
Current Liabilities			
Senior bridge loans (Note 11)	\$ -	630	980
Note payable to International Sovereign Energy Corp. (Note 11)	-	300	-
Accounts payable (Note 12)	1,198	725	695
Accounts payable to related parties (Note 12)	69	1,240	1,029
Accrued liabilities (Note 13)	703	514	537
Loan payable (Note 12)	500	-	-
Loans payable to Related Parties (Note 12)	500	-	-
Payable to preferred shareholders (Note 10)	1,645	-	-
Deferred revenue	101	182	206
Total current liabilities	4,716	3,591	3,447
Warrant Liability (Note 17)	-	67	68
Total Liabilities	4,716	3,658	3,515
Commitments and Contingencies (Note 14)			
Equity			
Common shares – no par value (Note 2)	23,711	17,528	17,003
Preferred shares – no par value (Note 2)	-	-	-
Contributed surplus	3,141	2,569	2,541
Accumulated deficit	(28,368)	(22,708)	(21,778)
Total shareholders' equity (deficit)	(1,516)	(2,611)	(2,234)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 3,200	1,047	\$ 1,281

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board of Directors

/s/ Mr. Hans Black, Director

/s/ Mr. Jim Wyant, Director

Wi2Wi Corporation

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(In thousands of U.S. dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 860	\$ 858	\$ 3,438	\$ 2,597
Cost of Revenues	544	577	2,077	1,734
Gross Profit	316	281	1,361	863
Operating Expenses (Note 19)				
Research and development	225	286	740	856
Selling, general and administrative	713	951	3,208	3,106
Total Operating Expenses	938	1,237	3,948	3,962
Loss from Operations	(622)	(956)	(2,587)	(3,099)
Share listing expense (Note 2)	-	-	2,987	-
Interest expense	29	42	86	77
Loss before Income Taxes	(651)	(998)	(5,660)	(3,176)
Provision for income tax	-	-	-	-
Net Loss and Total Comprehensive Loss	\$ (651)	\$ (998)	\$ (5,660)	\$ (3,176)
Net loss per share, basic and diluted	(\$0.01)	(\$0.02)	(\$0.07)	(\$0.05)

See accompanying notes to condensed consolidated interim financial statements.

Wi2Wi Corporation

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

	Common Shares	Amount	Preferred Shares	Amount	Contributed Surplus	Retained earnings/ (Accumulated Deficit)	Total Shareholders' Equity / (Deficit)
Total Consolidated Balances, December 31, 2012	293,756,229	\$ 17,528	2,500,000	\$ -	\$ 2,569	\$ (22,708)	\$ (2,611)
Cancellation of Wi2Wi Preferred Shares		-	(2,500,000)	-	-	-	-
Conversion of 293,756,229 Wi2Wi Common Shares for 64,384,296 shares of International Sovereign Energy Corp. (ISE) in connection with Plan of Arrangement between Wi2Wi Corporation (Wi2Wi) and ISE on January 28, 2013 (Note 2)	(293,756,229) 64,384,296	5,875	-	-	-	-	5,875
Common Shares of International Sovereign Energy Corp.	16,096,084	-	-	-	-	-	-
Issue of Preferred shares to ISE shareholders	-	-	16,096,084	-	-	-	-
Issue of Common Shares (Note 15)	1,260,000	293	-	-	22	-	315
Shares issued upon exercise of employee options	63,926	15	-	-	-	-	15
Stock-based compensation expense	-	-	-	-	352	-	352
Reversal of warranty liability due to change in terms of warrants (Note 17)	-	-	-	-	67	-	67
Issuance of broker warrants for services in connection with Plan of Arrangements between Wi2Wi AND ISE (Note 17)	-	-	-	-	131	-	131
Net Loss and Comprehensive Loss	-	-	-	-	-	(5,660)	(5,660)
Total Consolidated Balances September 30, 2013	81,804,306	\$ 23,711	16,096,084	\$ -	\$3,141	\$ (28,368)	\$ (1,516)

See accompanying notes to condensed consolidated interim financial statements.

Wi2Wi Corporation

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Operating Activities				
Net loss	\$ (651)	\$ (998)	\$ (5,660)	\$ (3,176)
Adjustments for non-cash items:				
Depreciation and amortization	13	11	40	36
Stock based compensation	84	89	352	559
Change in fair value of warrant liabilities	-	25	-	31
Share listing expenses	-	-	2,986	-
Changes in assets and liabilities:				
Accounts receivable	239	(107)	(58)	258
Inventories	93	57	(149)	232
Deferred inventory costs	83	10	53	177
Prepaid expenses and other current assets	268	113	150	(10)
Accounts payable	(382)	138	(267)	(582)
Accounts payable to related parties	69	214	69	519
Accrued liabilities	99	65	189	112
Deferred revenue	(117)	(22)	(81)	(370)
Net Cash Used in Operating Activities	(202)	(405)	(2,376)	(2,214)
Cash Flows from Investing Activities				
Additions to property and equipment	-	-	(44)	(14)
Net Cash Used in Investing Activities	-	-	(44)	(14)
Cash Flows from Financing Activities				
Repayment of bank borrowings	-	-	-	(329)
Exercise of employee stock options	-	-	15	168
Receipt of cash upon completion of Plan of Arrangement with ISE	-	-	2,720	-
Repayment of Bridge Loans	-	-	(630)	-
Proceeds from Bridge Loans	-	500	-	980
Receivable, Escrow funds (Note 12)	-	-	(500)	-
Loan payable to related party (Note 12)	-	-	500	-
Issuance of common shares	65	-	315	1,490
Net Cash Provided by Financing Activities	-	500	2,420	2,309
Net Increase (Decrease) in Cash	(137)	96	0	81
Cash, beginning of period	169	10	32	25
Cash, at end of period	\$ 32	\$ 106	\$ 32	\$ 106
Supplemental Disclosure of Cash Flow Information:				
Interest paid	\$ 29	\$ 38	86	\$ 43
Conversion of senior bridge loans into common shares	-	-	525	-

See accompanying notes to condensed consolidated interim financial statements.

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

1. **Basis of Presentation**

Wi2Wi Corporation (the Company or Wi2Wi) designs, manufactures and markets system in package and modular products for wireless applications worldwide.

These unaudited consolidated interim 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 4. These statements have been prepared based on the accounting policies and practices consistent with those used in the preparation of Wi2Wi's audited annual financial statements. It is management's opinion that these consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, in accordance with IFRS. Certain significant estimates have been made by management in the preparation of these financial statements. Please refer to Note 2 for details of the "Transaction"

These unaudited consolidated interim financial statements were prepared under the historical cost convention. All amounts herein are in US dollars, unless otherwise stated.

The consolidated financial statements include the financial statements of Wi2Wi Corporation and of International Sovereign Energy Corp which were Amalgamated in terms of the Plan of Arrangement and which received Final Court Approval on January 28, 2013. It also includes the financial statements of its wholly owned subsidiary, Wi2Wi Inc. All intercompany balances and transactions have been eliminated on consolidation.

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, 2012, which are available on SEDAR at www.sedar.com.

These financial statements have been authorized for issue by the Board of Directors on 27, 2013

2. **Reverse Takeover of International Sovereign Energy Corp.**

On July 6, 2012 the Company entered into an Arrangement Agreement pursuant to which International Sovereign Energy Corp. (ISE) acquired all of the issued and outstanding shares of the Company by way of a plan of arrangement under the Canada Business Corporations Act (the Transaction). Shareholders of Wi2Wi and ISE approved the Transaction in December 2012. The Transaction is considered a reverse takeover (RTO) under the policies of the TSX Venture Exchange (the TSXV) as the shareholders of Wi2Wi obtained control over ISE. It was subject to the approval of the Ontario Superior Court of Justice which was granted on January 28, 2013. It was also subject to approval by the TSXV and shareholders of both companies. The TSXV approval was granted on February 4, 2013 with trading commencing on February 5, 2013 under the symbol YTY.

The RTO Transaction effectively resulted in shares being issued and Wi2Wi taking control of the consolidated entity with Wi2Wi identified as the accounting acquirer. ISE is the surviving entity. However Wi2Wi is considered to be the accounting acquirer as the Wi2Wi shareholders acquired a controlling 80% of the outstanding and issued common shares of ISE upon the completion of RTO. The surviving entity changed its name to Wi2Wi Corporation.

As a result of the RTO Transaction, the consolidated interim financial statements have been prepared as a continuation of the Company and as such:

- (a) the assets and liabilities of the Company are recognized and measured at their RTO Transaction carrying amounts;
- (b) the assets and liabilities of ISE are recognized and measured in accordance with their fair values on the date of acquisition;
- (c) the opening retained earnings and other equity balances reflect the Company's balances prior to the RTO Transaction

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

(d) comparative figures reflect the assets, liabilities and equity accounts of the Company prior to the RTO Transaction.

ISE was historically engaged in the acquisition, exploration and production of petroleum and natural gas reserves but had ceased operating activities on the sale of its assets in 2011 and 2012.

For accounting purposes, the acquisition does not meet the definition of a business in accordance with the IFRS 3 “Business Combinations” as ISE had discontinued all of its prior business operations and its activities, prior to the RTO, were limited to the management of cash resources, investment and the maintenance of its listing. Accordingly, the Transaction has been accounted for as the issuance of shares by Wi2Wi for the net monetary assets of ISE in accordance with IFRS 2 “Share-Based Payment”. Consideration, net of transaction costs, has been added to shareholders’ equity.

The fair value of the consideration, calculated as \$5,875, is determined based on the percentage of ownership of the merged entity after the transaction that was transferred to shareholders of ISE upon completion of the Transaction. This value represents the fair value of the shares that Wi2Wi would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Wi2Wi acquiring 100% of the shares of ISE. The percentage of ownership ISE shareholders has in the combined entity is 20% after the consolidation of its existing 16,096,084 issued and outstanding common shares with the 64,384,296 newly issued shares of Wi2Wi held by shareholders as of January 28, 2013. The fair value of the consideration in the Transaction represents 20% of the estimated fair value of Wi2Wi shares of \$29.4 million based on the transaction price of the recent private placement sales of Wi2Wi common stock of \$0.10 per share before the amalgamation and conversion.

All securities convertible into common shares of Wi2Wi were exchanged or converted into an equivalent number of ISE securities in accordance with the conversion ratio. Of the 2,500,000 preferred shares of Wi2Wi indicated below, the conversion of 1,000,000 (Series A) shares is under dispute between members of the Wi2Wi Board of Directors and the holder of these shares, who was a former officer of Wi2Wi. The financial statements have been prepared assuming that the Series A preferred shares are not convertible and therefore are deemed cancelled. The 1,500,000 (Series B) shares have also been cancelled.

The conversion ratio was 4.56 Wi2Wi common shares for each ISE common share (the Conversion Ratio). The Conversion Ratio resulted in the following securities as at September 30, 2013:

As at September 30, 2013	Wi2Wi Before Conversion	New ISE After Conversion	Existing ISE	Total After Conversion
Common Shares	293,756,229	64,353,699	16,096,084	80,449,227
Preferred Shares	2,500,000	30,597	-	31,153
Total Shares	296,316,629	64,384,296	16,096,084	80,480,380
Warrants	11,225,000	2,460,249	-	2,460,249
Stock Options	47,891,666	10,496,698	1,535,000	12,031,698

In addition, 16,096,084 Preferred Shares were issued to holders of common shares of ISE upon the closing of the Transaction. Each Preferred share will automatically convert into common shares on the date that is five years and one day after the date such preferred shares were issued, based on an exchange ratio of one-millionth (0.000001) of a common share for each Preferred Share converted, a total of 16 common shares.

Upon the closing of the Transaction the Company issued 876,704 warrants (4,000,000 warrants pre-conversion) to its investment banker. The warrants have an exercise price of \$0.57 per the agreement (\$0.125 per share pre-conversion). The warrants vested immediately upon grant and expire in three years. The fair value of warrants was determined to be \$131 and is included in share listing expense.

Since the estimated fair value of the ownership interests in the combined company to be held by ISE shareholders exceeded the fair value of net assets being acquired by Wi2Wi and in accordance with IFRS 2, such excess of \$2,856 is recorded as a component of the total share listing expense as of January 28, 2013, and then transferred to deficit.

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The computation of share listing expense is as follows:

Fair value of consideration for ISE ownership interest	\$ 5,875
Fair value of ISE net assets:	
Cash	3,279
Prepaid expense and deposits	64
Accounts payable	(324)
Investments	1,977
Payable to ISE shareholders	(1,977)
Total fair value of ISE net assets	3,019
Share listing expense	2,856
Fair value of warrants issued to investment banker	131
Total share listing expense	\$2,987

3. 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 at September 30, 2013 and December 31, 2012 of \$1,610 and \$2,634, respectively. This, among other factors, raises 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 a number of factors, but 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, bank borrowings and future equity raises to meet the Company's liabilities and commitments as they become payable. The Company will continue to be dependent on additional financing in the future until such time as the Company becomes profitable. 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.

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 effect 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.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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, software, and leased furniture and fixtures, and five years for machinery and equipment and non-leased 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
Investments	Investments	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
Warrant liability	FVTPL	Fair value

Investments are initially recognized at fair value. As the investment that the Company holds is related to the Preferred Shares, it is revalued each quarter with any adjustment increasing or decreasing the value attributable to the Preferred Shares (Note 9)

Loans and receivables are initially recognized at 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.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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 except for the potential change in the market value of the investment in Legend. That change cannot be determined until the dates on which the revaluation is measured.

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 September 30, 2013 and 2012.

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 periods ended September 30, 2013 and 2012 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

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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 adopted these standards on January 1, 2013 as required. The adoption of each of these standards did not have a material impact on the 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

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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 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 claim costs may differ from management's estimates.

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 effect 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 3.

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 at September 30, 2013 and December 31, 2012, to cover potential doubtful accounts.

8. Inventories

	September 30, 2013	December 31, 2012
Inventories consists of:		
Raw materials and work in progress (gross)	\$ 216	\$ 153
Inventory write-down	(3)	(3)
Raw materials and work in progress (net)	213	150
Finished goods (gross)	108	8
Inventory write-down	(14)	-
Finished goods (net)	94	8
Total	\$ 307	\$ 158

9. Property and Equipment, Net

	Machinery and	Computer Equipment and	Furniture and	Total
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Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

	Equipment	Software	Fixtures	
Cost				
Balance as of December 31, 2012	\$ 383	\$ 88	\$ 75	\$ 546
Additions	26	18	-	44
Balance as of September 30, 2013	\$ 409	\$ 106	\$ 75	\$ 590
Accumulated Depreciation				
Balance as of December 31, 2012	\$ 308	\$ 76	\$ 72	\$ 456
Additions	31	8	1	40
Balance as of September 30, 2013	\$ 339	\$ 84	\$ 73	\$ 496
Net Book Value				
At December 31, 2012	\$ 75	\$ 12	\$ 3	\$ 90
At September 30, 2013	\$ 70	\$ 22	\$ 2	\$ 94

Depreciation expense for the three-months ended September 30, 2013 and 2012 was \$13, and \$11, respectively, and for the nine months ended September 30, 2013 and 2012 was \$40 and \$36, respectively. Depreciation expense is classified as selling, general and administrative expense in each period.

10. Investment in Legend Oil and Gas

In September 2011, ISE entered into an agreement to sell certain assets to Legend Energy Canada Ltd., a subsidiary of US based Legend Oil and Gas Ltd. (Legend). ISE assets upon completion of the Transaction with Wi2Wi included an investment in Legend representing partial consideration for the assets sold to Legend. ISE received 3,552,516 Legend shares, which are traded on the "Over the Counter Bulletin Board", and which were registered under the US Securities Act effective March 17, 2012. The number of shares were to be adjusted if the volume weighted average trading price of Legend shares were to fall below certain price thresholds at the end of certain periods, primarily within two months of the registration becoming effective. The agreement also granted ISE a PUT option at the original issue price of \$2.00 per share. As the trading price of Legend has fallen, the PUT has not been exercised.

At the end of the restriction period, May 17, 2012, ISE had received 21,350,247 additional shares under the trading price provision due to a sharp drop in the share price of Legend, (\$2.20 in November 2011, to \$0.28 on May 17, 2012) bringing the total number of shares owned by ISE of Legend to 24,902,763 or 32.5% of the outstanding shares. During 2012, 1,527,516 shares were sold for net proceeds of \$150. At December 31, 2012, ISE had 23,375,247 shares. There were no further sales subsequent to December 31, 2012. As of January 28, 2013, the date of the RTO transaction close, the 23,375,247 shares were revalued at \$0.078 per share resulting in a carrying value of \$1,977 inclusive of the proceeds of sale of shares. The additional shares received are subject to sales restrictions. At September 30, 2013 the trading price had fallen to \$0.066 with a resultant value of \$1,498, plus the cash generated on the sale of shares for a total value of \$1,645. The funds are being held by the Company's brokers and are not included in funds utilized by the Company for working capital purposes.

Under the terms of the Arrangement Agreement between Wi2Wi and ISE, the proceeds from the Legend shares are solely for the benefit of the existing shareholders of ISE. This was achieved as part of the RTO by issuing to the shareholders of ISE, one common share of the post-merger entity, and one preferred share. All proceeds from the sale of Legend shares will be for the benefit of the preference shareholders by way of dividend and accordingly the Company has recorded a corresponding liability for the equivalent amounts owing to ISE preferred stock holders. Such liability is subject to adjustments based on a corresponding increase or decrease in the fair value of the Legend shares.

The investment is accounted for under the fair value method since the combined company will not have significant influence over Legend.

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During the prior quarter, the Company and Legend Oil and Gas Ltd. (Legend), reached an agreement to terminate the PUT right the Company had over the shares held by it in Legend. As a condition of the above, Legend is obligated to file a Form S-1 that will release the trading restriction on the 21,350,247 shares that were issued under the value adjustment conditions. Once such filing has been approved, all the Legend shares will become freely tradable. As of the date hereof, the shares are not yet freely tradable.

11. Debt

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 bore 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 Transaction which is discussed in Note 17, \$500 of promissory notes issued pursuant to the Senior Bridge Loan Facility were required 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. During the three month period ended March 31, 2013, the remaining \$630 of the loans outstanding at December 31, 2012 were repaid. At September 30, 2013 there were no notes outstanding.

Note Payable - International Sovereign Energy Corp

In connection with the RTO transaction (see Note 2), ISE advanced to the Company \$300 (Canadian dollars) in the form of a secured bridge loan on December 12, 2012. The loan bore interest at 12% per annum and was 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 converted into equity as part of the RTO transaction.

Note Payable – Norton Rose

As a condition of closing of the Plan of Arrangement the Company converted \$500 of the amount owing to Norton Rose into an unsecured promissory note bearing interest at 10% per annum and due in January 2014.

12. Related Parties

A former Company director 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 that firm for such services. The Company incurred expenses of \$6 and \$214 in the three-months ended September 30, 2013 and 2012, respectively and \$209 and \$549 in the nine month periods ended September 30, 2013 and 2012, respectively. The Company owed Norton Rose \$794 (inclusive of the \$500,000 referred to in Note 10 above) and \$1,124 as of September 30, 2013 and December 31 2012, respectively. Amounts of \$294 and \$1,124 are included in Accounts Payable at September 30, 2013 and December 31, 2012 respectively. On the closing of the RTO transaction, \$500 of the Norton Rose payable was deferred under a promissory note arrangement (see Note 11). As the former director resigned prior to the current quarter end, the amounts are longer considered as related party transactions.

As a condition of approval of the Plan of Arrangement, an amount of \$500 was placed in Escrow, which will be released on the Company obtaining a Line of Credit exceeding \$2 million with a Commercial Bank. This amount was placed in Escrow by two Directors as loans bearing interest at the rate of 10% per annum. Funds raised by the Company as a result of an equity issue will replace the Escrow funds and the amounts owing to the Directors will then be repaid. Interest, amounting to \$33 has been paid currently as of September 30, 2013.

The Company incurred expenses related to travel and other expenses by directors of \$52 and \$15 in the three-months ended September 30, 2013 and September 30, 2012, respectively and \$97 and \$15 in the nine-months ended September 30, 2013 and

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2012, respectively. The Company owed directors \$19 and \$115 as of September 30, 2013 and December 31, 2012, respectively for travel expenses

On March 7, 2013 a director of the company was appointed Interim Chief Financial Officer of the Company. He receives an honorarium of \$15 per month commencing March 2013 until such time that a full time Chief Financial Officer is appointed. \$45 of such honorarium is recorded in these financial statements for the three months ended September 30, 2013 (\$105,000 for the nine months ended September 30, 2013) of which \$30 is unpaid at September 30, 2013. In addition a director advanced \$20,000 as a short term loan, which sum was outstanding at September 30, 2013. This amount does not bear interest.

The total owing to related parties at September 30, 2013 and September 30, 2012 was \$69 and \$1,029 respectively.

13. Accrued Liabilities

Accrued liabilities consist of:

	September 30, 2013	December 31, 2012
Accrued compensation	\$ 398	\$ 330
Accrued interest	54	90
Other accrued expenses	157	-
Advances from shareholders	94	94
	\$ 703	\$ 514

14. Commitments and Contingencies

Leases

In 2005, the Company entered into a non cancelable 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. In September 2011, the Company extended the lease and re-negotiated the lease terms. The current lease continues through November 2013. The company negotiated a further 3 year extension effective December 1, 2013 on essentially the same terms and conditions, except for the rental rate.

Rental expense for operating leases during the three-months ended September 30, 2013 and 2012 were \$31 and \$32, respectively and for the nine months ended September 30, 2013 and 2012 were \$93 and \$94, respectively.

The future minimum lease payments under the non cancelable operating lease and the extension thereof expiring in November 2016 is as follows:

Year	Amount
2013	\$11
2014	\$125
2015	\$150
2016	\$154
Total	\$440

Legal Proceedings

A former company executive has asserted a claim of \$4,400 against certain Directors of the Company for damages incurred as a result of the claimed lost value of Plaintiff's investment, including Class B Convertible Preferred Shares. The defendants have filed a Defense and examinations on discovery have taken place and hearings on the merits of the Claim commenced on

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November 20, 2013. 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.

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 unaudited consolidated interim 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, 2013 and December 31, 2012. After the closing of the Transaction, the Company is authorized to issue an unlimited number of common shares without par value.

On September 30, 2013, 1,000,000 common shares were issued under the Private Placement program initiated by the Company in the current quarter. This program was for an initial offering of four units for 1,000,000 Common Shares at \$0.25 per share, plus warrants of 1,000,000 exercisable at \$0.45 per warrant and with a term of two years following issue. One unit was placed during the quarter ended September 30, 2013.

In addition, 63,926 options were exercised for proceeds of \$15.

During the three months ended September 30, 2013, a .26 proportion of 1 unit, which full unit was for 1,000,000 common shares at an issue price of \$0.25, combined with 1,000,000 common share warrants with an exercise price of \$0.45 and a term of three years was issued for gross proceeds of \$65.

There are 81,804,306 Common Shares in issue at September 30, 2013, and 80,480,380 at December 31, 2012.

16. Share Based Payments

Stock Option Plan

At September 30, 2013 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 share at the date of each grant. Options granted to employees generally vest over periods of up to 48 months as determined by the board of directors and vest either under a 12 month cliff vest followed by a 36-month vesting schedule or vest on the third anniversary of the date of issue. Options granted to the Company's directors and certain consultants vest fully upon issuance or vest over 1-2 years. Options generally expire seven years from grant date.

In June 2013 options were granted to employees that vest in equal proportions over 48 months. Options issued to Directors vest either in full on issue (700,000 options) or vest 50% on issue with the balance vesting on the first anniversary of issue.

The following table summarizes the stock option activity as of September 30, 2013:

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	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2012	47,891,666	\$0.060
Converted at date of the Plan of Arrangement	10,496,698	\$0.300
ISE options at date of the Plan of Arrangement	1,535,000	\$0.680
Wi2Wi options granted	6,843,930	\$0.195
Wi2Wi options exercised	(63,926)	\$0.230
Wi2Wi options forfeited or cancelled (ISR options)	(800,000)	\$0.710
Options outstanding at September 30, 2013	18,011,702	\$0.275

The following table summarizes stock options outstanding and exercisable as of September 30, 2013:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
\$0.195	6,143,930	6.7	1,820,750
0.200	700,000	6.7	700,000
0.228	5,934,190	4.7	5,934,190
0.342	2,284,909	6.5	2,284,909
0.430	200,000	3.1	200,000
0.456	2,213,673	7.2	1,964,056
0.570	270,000	2.0	270,000
0.600	100,000	1.2	100,000
0.700	50,000	0.1	50,000
\$1.250	115,000	0.1	115,000
	18,011,702		13,438,870

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.

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,	
	2013	2012	2013	2012
Research and development	\$ 28	\$ 41	\$ 12	\$ 13
Selling, general and administrative	324	518	72	76
	\$ 352	\$ 559	\$ 84	\$ 89

17. Warrants

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

As a condition of closing the merger, 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. 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. Due to this down round protection feature, the warrants were classified as liabilities at December 31, 2012. Upon the modification of terms, the fair value of the 1,450,000 warrants, calculated as \$67, was reclassified from liabilities to shareholders' equity.

The following table summarizes the warrants issued by the Company as of September 30, 2013:

	Warrants		Weighted Average Exercise Price
Warrants outstanding at December 31, 2012	7,225,000	\$	0.14
Conversion on Completion of Plan of Arrangement	1,583,545		0.63
Issuance of Broker Warrants	876,704		0.57
Issuance of warrants on Share issue	1,260,000		0.45
Warrants outstanding at September 30, 2013	3,720,249	\$	0.56

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
\$0.34	87,670	4.50	87,670
0.45	1,000,000	1.75	1,000,000
0.45	260,000	3.00	260,000
0.46	65,752	4.50	65,752
0.46	164,382	5.50	164,382
0.57	876,704	2.50	876,704
0.68	328,764	0.16	328,764
0.68	197,258	0.20	197,258
0.68	109,588	0.30	109,588
0.68	54,794	0.40	54,794
0.68	383,558	0.50	383,558
0.68	191,779	0.70	191,779
	3,720,249	1.75	3,720,249

18. Loss Per Share

The basic and diluted loss per share has been calculated based on 80,808,042 and 63,203,025 weighted average number of common shares outstanding during the nine month periods ending September 30, 2013 and 2012.

19. Expenses by Nature

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
Compensation	\$2,121	\$ 2,210	\$ 683	\$ 634
Depreciation and amortization	40	36	13	11
Facility related expenses	127	116	42	40
Professional and consulting services	1,229	1,442	60	500
Other costs	463	158	140	52
	\$3,980	\$ 3,962	\$ 938	\$ 1,237

20. 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, 2013 and December 31, 2012 of \$1,610 and \$2,634, 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, 2013 and 2012, and December 31, 2012, as follows:

Customer	A/R %		Revenue %	
	September 30, 2013	December 31, 2012	September 30, 2013	September 30, 2012
A	44%	26%	42%	26%
B	17%	-	16%	17%
C	10%	0%	20%	9%
D	10%	20%	8%	5%
E	10%	20%	7%	11%

21. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at September 30, 2013 include cash, accounts receivable, investments 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. Investments are valued at the trading price as of September 30, 2013.

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.

Wi2Wi Corporation

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Fair value measurements at September 30, 2013

Recurring fair value measurements	September 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)	Total gains or losses
Trading equity securities	\$1,498	\$1,498			\$0
			Nil		Nil
				Nil	Nil

22. Subsequent event

On November 4, 2013, as a result of the Company determining that a larger equity raise was desirable, Wi2Wi Corporation entered into an agreement with Paradigm Capital Inc. to act as lead agent and sole book-runner on behalf of a syndicate, including Byron Capital Markets Ltd., to complete a brokered private placement of units ("Units") for up to C\$4,000,000 (the "Offering"). The Offering will be made on a best efforts fully marketed private placement basis. Each Unit shall be comprised of one common share priced in the context of the market and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant shall entitle the holder thereof to acquire one common share of the Company at a price to be determined in the context of the market for a period of 24 months following the closing of the Offering. In addition, the Company has granted the Agents an option exercisable in whole or in part, to increase the size of the Offering by up to 15% of the base offering size, which Agents' Option shall be exercisable, by notice in writing to Wi2Wi, until the 30th day following the Closing. If the Agents' Option is exercised in full, the total gross proceeds of the Private Placement to Wi2Wi will be \$4,600,000. The Company will pay the Agents 7% of the gross proceeds of the equity raise as well as granting them warrants equal to 7% of the number of common shares issued as a result of the equity raise, with the same exercise terms and condition as applicable to a whole warrant issued. On November 18, 2013 the pricing of the Private Placement was approved by the Board at \$0.20 per common share plus one half warrant per common share. The exercise price of a full warrant is set at \$0.25 and a term of two years from the date of issuance.