

Wi2Wi Management Discussion and Analysis

The following management discussion and analysis (“MD&A”) is a review of operations, current financial position and outlook for Wi2Wi Corporation (“Wi2Wi” or the “Company”). It is dated November 27, 2013 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2013 and 2012 and the audited consolidated financial statements as at and for the years ended December 31, 2012 and December 31, 2011 all of which are available on SEDAR at www.sedar.com.

It should also be read in conjunction with the Joint Management Information Circular (“JMIC”) of Wi2Wi and International Sovereign Energy Corp (“ISE”), describing the plan of arrangement under the *Canada Business Corporations Act* (the “Arrangement or RTO”) pursuant to which Wi2Wi completed the reverse takeover of ISE and received final court approval on January 28, 2013.

The Arrangement resulted in the amalgamation of ISE and Wi2Wi to form a new public issuer under the name “Wi2Wi Corporation” that is carrying on Wi2Wi’s current business and operations. The Company received final regulatory approval of the Arrangement from the TSX Venture Exchange (the “TSXV”) on February 4, 2013 and commenced trading under the symbol “YTY” on February 5, 2013.

Corporate Strategy and overview

Wi2Wi is a leader in industrial-class WiFi, WiFi-Bluetooth and GPS system-in-a-package (SiPs). Wi2Wi focuses on industrial, automotive, medical, infrastructure (including smart-home/smart building) and government markets worldwide. Wi2Wi’s products and value-added services provide highly integrated, multifunctional wireless sub systems as complete wireless connectivity solutions for Machine-to-Machine (M2M) and portable device applications globally. Wi2Wi distinguishes itself from commodity grade products, having developed SiP’s with broader temperature ranges, longer useful lives and greater robustness.

Wi2Wi’s strategic objective is to build on its core product lines, incorporating software enhancements to the existing range, so as to provide comprehensive solutions to manufacturers of products incorporating the Wi2Wi modules, creating plug and play interfaces, thereby speeding up the design, development and manufacturing cycle.

Overview

- 1) These financial statements have been prepared by management in accordance with IAs 34 and are derived from and should be read in conjunction with Wi2Wi’s audited consolidated financial statements as at and for the year ended December 31, 2012;
- 2) ISE’s audited annual financial statements as at December 31, 2012 and December 31, 2011.
- 3) The Management Information Circular detailing the transactions.

All the above are available on Sedar at www.sedar.com

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 unaudited interim consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the Transaction in accordance with IFRS.

Certain significant estimates have been made by management in the preparation of these financial statements.

All amounts herein are in US dollars, unless otherwise stated.

The RTO:

Wi2Wi is considered to be the accounting acquirer for accounting purposes in connection with the Transaction as the former shareholders of Wi2Wi control the consolidated group subsequent to the Transaction. For accounting purposes, the acquisition does not meet the definition of a business and is thus considered to be outside the scope of IFRS 3 as ISE had discontinued all of

its past business operations and its activities which, prior to the RTO, were limited to the management of cash resources, investment and the maintenance of its listing.

The fair value of the consideration, calculated as \$5,875, was determined based on the percentage of ownership of the merged entity after 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 those 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 most 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 2,700,000 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 preferred shares are not convertible. The 1,500,000 (Series B) shares have also been cancelled. The 200,000 (Series C) shares were converted into 139,600 common shares of Wi2Wi prior to completion of the Transaction.

The conversion ratio is 4.56 Wi2Wi common shares for each ISE common share (the Conversion Ratio). The Conversion Ratio results in the following securities as at January 28, 2013:

As at January 28, 2013	Wi2Wi Before Conversion	New ISE After Conversion	Existing ISE	Total After Conversion
Common Shares	293,756,229	64,353,699	16,096,084	80,449,783
Preferred Shares	2,700,000	30,597	-	30,597
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, being 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 three years after the grant date.

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

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

The financial statements of the Company have been reviewed and approved by the Audit Committee and approved by the Board of Directors. The information that follows has taken into account all significant events that have occurred up to November 27, 2013.

Forward-Looking Statements:

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

Highlights of 2012:

- Launched development of Dual-Band With advanced technology with target production release scheduled for the second quarter of 2014;
- Commenced shipment of samples of W2CBW0015, one of the world's smallest extended-temperature WiFi & WiFi-Bluetooth SiP. Production release is scheduled for the end of the second half 2013;
- Completed the development of W2CBW0016, again one of the world's smallest industrial-temperature WiFi & WiFi-Bluetooth SiP. Production release is scheduled for the end of the first quarter of 2014;
- Completed re-building the America's sales team and network of manufacturers' sales representatives, inclusive of eight new sales partners;
- GPS Products (0008 & 0084) Production line transfer from a manufacturer in China to one in Malaysia to improve Quality & Reliability of the products;
- Major New Design Wins with Tier-1 & Key Customers, with customers' production orders expected in late 2013 & early 2014;
- Plan of Arrangement approved by shareholders of Wi2Wi and ISE. See the JMIC, which is available on Sedar at www.sedar.com for further description and
- During the First Quarter of 2012, the financing arrangements with Bridge Bank were discharged and, later in 2012, were partially replaced by funds raised under a note and warrant program. A portion of these notes were converted into equity as more fully described the Financial Statements at December 31, 2012;

Highlights of 2013:

- Completed the Plan of Arrangement and amalgamated Wi2Wi and ISE to form Wi2Wi Corporation on January 28, 2013;
- Listed with the TSXV under the symbol YTY, commencing trading on February 5, 2013;
- Discharged \$630 of the Bridge loans that were outstanding at December 31, 2012;
- Continued re-building the America's sales team and network of manufacturers representative, including five new sales partners;
- Continued the W2CBW0019 development of Dual-Band (2.4 GHz & 5 GHz) With advanced technology and a target production release scheduled for end of the year;
- Continued with the development of Serial WiFi With advanced Microcontroller technology together with Wi2Wi's single-band (2.4GHz) 0015 WiFi with target production release scheduled for the second half of 2013;
- Continued the process for completion of regulatory certification and production-readiness of W2CBW0016;
- Continuation of Major New Design Wins with Tier-1 & Key Customers, with customers' production orders expected in late 2013 & 2014;
- Launched development of Low-Energy Bluetooth with advanced technology with target production release schedules production release scheduled in the second half of 2014;
- As of September 2013, the Company had 20 design wins or design win's for the 3rd Generation WiFi & WiFi-Bluetooth product (0015 & 0016);
- As of September 2013, the Company had 41 design wins or design in's for the 3rd Generation GPS product (0008 & 0084);
- As of September 2013, the Company had 250 customers & prospects for the above listed New 3rd Generation products compared to 78 in September 2012 for these new products, reflecting market traction and customer demand for these products;
- Issue of 1,000,000 common shares at \$0.25 for gross proceeds of \$250,000. Coupled with the share issue is the granting of 1,000,000 warrants with an issue price of \$0.45 24 months after the share issue date, being June 6, 2013.
- Issue of 260,000 common shares at \$0.25 for gross proceeds of \$65,000. Coupled with the share issue is the granting of 260,000 warrants with an issue price of \$0.45 36 months after the share issue date, being September 26, 2013;
- The issue of 63,926 options for gross proceeds of \$15;
- The total Common Shares in issue as at September 30, 2013 is 81,804,306;
- The total Warrants in issue as at September 30, 2013 are 3,900,249;
- During June 2013, a total of 6,843,930 options at an average issue price of \$0.195 were issued to Directors, Staff and Consultants. The total number of options outstanding as at September 30, 2013, were 18,011,702, with an average issue price of \$0.275. Of these options, 13,438,870 are fully vested, and
- The Stock compensation expense reported in the three months ended September 30, 2013 was \$84 compared with \$89 for the same period in 2012.
- Launched development of New GPS Product supporting the European Satellite System With advanced technology with target production release scheduled for the second half of 2014;

Description of the Business:

Wi2Wi designs, manufactures and markets miniaturized embedded wireless connectivity solutions (incorporating both hardware and software) for premium industrial/medical, smart-home/smart building and government markets worldwide.

These products and value added services provide highly integrated, multifunctional wireless sub systems for mobile applications of all forms for Machine-to Machine (M2M) portable device applications.

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

The Company does not have any manufacturing capabilities, with the manufacture and assembly outsourced to sub-contractors. Incorporated in 2004, the Company was largely inactive until it acquired the original equipment manufacturing (OEM) products division of Actiontec Electronics in 2005.

Selected Quarterly Information:

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

In thousands of Dollars	2013 Qrt 3 \$	2013 Qrt 2 \$	2013 Qrt 1 \$	2012 Qrt 4 \$	2012 Qrt 3 \$
Statement of results					
Revenue	860	1,324	1,253	665	858
Gross profit	316	551	494	246	281
Operating expenses					
Research and development	225	262	253	310	286
Selling, general and administrative	713	958	1,537	847	895
Net Loss before interest, income taxes and Share Listing Expense	(622)	(669)	(1,296)	(911)	(900)

In thousands of Dollars	2012 Qrt 2 \$	2012 Qrt 1 \$	2011 Qrt 4 \$	2011 Qrt 3 \$	2011 Qrt 2 \$
Statement of results					
Revenue	938	801	1,518	1,245	907
Gross profit	295	287	565	648	271
Operating expenses					
Research and development	297	273	340	216	254
Selling, general and administrative	1,460	695	821	727	669
Net Loss before interest, income taxes and Share Issue Expense	(1,462)	(681)	(596)	(295)	(652)

Selected Quarterly Information – Three and nine months Ended September 30, 2013 and September 30, 2012:

In thousands of Dollars	September 30, 2013 3 months \$	September 30, 2012 3 months \$	September 30, 2013 9 months \$	September 30, 2012 9 months \$
Statement of results				
Revenue	860	858	3438	2,597
Gross Profit	316	281	1,361	861
Operating expenses				
Research and development	225	265	740	856
Selling, general and administrative	713	951	3,208	3,106
Share Listing Expenses and Interest expense	29	42	3,073	73
Net loss	(651)	(998)	(5,660)	(3,176)

Financial position	September 30, 2013	December 31, 2012	September 30, 2012	
Cash	32	32	106	
Working Capital Deficit	(1,610)	(2,634)	(2,265)	
Total Assets	3,200	1,047	1,281	
Debt	-	930	-	
Total Liabilities	4,781	3,658	3,515	
Shareholders' Equity (Deficit)	(1,581)	(2,611)	(2,234)	

Results of Operations:

The unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and September 30, 2012 form an integral part of this MD&A. All amounts are expressed in thousands of U.S. dollars.

Quarter ended September 30, 2013 as compared with the Quarter Ended September 31, 2012:**Revenue**

Revenues for the quarter ended September 30, 2013 and September 30, 2012 were \$860 and \$858, respectively. Revenues increased marginally for the quarter ended September 30, 2013, compared to the same period in 2012.

The growth in revenue in the third quarter of 2013 has slowed due to the reduced ability of the Company to source product and to ship to its customers. The Company had shippable backlog of approximately \$1.4 million for the third quarter of 2013 and significant demand for its product in Q3, 2013. In addition, logistics delays affected total revenue billings for the quarter.

The Company relies on its distribution network to sell its products, supported by the Wi2Wi Sales Managers and the sales representative network that has been established in North America.

The Company has not entered the low revenue, low margin market which is well supported by the large SiP manufacturers. Instead it has built its reputation on creating effective solutions geared towards the lower volume, higher revenue and higher margin markets. The Company intends to continue with this program, while exploring opportunities with potential customers that can utilize the Company's products. The Company products are designed to withstand larger temperature variances than the commodity market, and are built to a higher degree of robustness and for longer life cycles.

The Company is implementing programs to increase its software solution content and services to increasingly become more of a complete and differentiating solution provider than it has in the past. It will aggressively review opportunities that add value to its product range, increasing its involvement in addressing customer needs by providing products, software applications and services beyond the range of the products currently being provided. The Company feels that being a full service solution provider will increase its involvement with current and future customers. By doing so, this will decrease the development cycle with the Company providing the interfaces required to connect its products more effectively with customer applications. Shrinking the design cycle allows customers to complete their development, testing and manufacturing processes and thereby introducing their products sooner into the market place. Not only will this increase the Company's involvement with customers to a greater degree than historically, but it will enhance its reputation as a proactive solution provider with an advanced product line. These programs are being designed based on customer expectations and on the technical knowledge to be able to satisfy these expectations. Although the Company is confident that it will have the necessary resources to satisfactorily address these needs, the timing and success is dependent on various factors that could delay implementation or affect the success of any program.

The Company is experiencing strong demand for its products across multiple business segments and as of the date of this release has record backlogs

Revenue is booked and collected in the functional currency of its self-sustaining foreign subsidiary, Wi2Wi Inc., in its local currency being US dollars.

Gross Profit

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

Gross profits for the quarter ended September 30, 2013 and September 30, 2012 were \$316 and \$281, respectively.

Gross profits increased by 12% for the quarter ended September 30, 2013, compared to the same period in 2012. Greater focus on gross margins contributed to this improvement and is expected to continue in the future.

Gross margins for the quarter ended September 30, 2013 and September 30, 2012 were 36% and 33%, respectively. This is slightly lower than the results in previous quarters in 2013, due to some inventory write downs and the impact that a large customer with lower margins had on the total gross margins in the current quarter.

Gross margins are expected to increase as larger production runs are contracted, with a consequent reduction in the cost of materials used in the manufacturing and assembly process. As production runs increase it is possible to negotiate lower pricing for products and assembly costs, which constitutes the major portion of cost of product sold. Lower volumes than expected will have an adverse effect on the ability to achieve meaningful cost reductions.

Despite the small size of the Company's products, logistics costs are high as much of that cost relates to air shipments into and out of the Far East. Larger shipment size will reduce the per-unit cost.

Research and Development Expenses

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

Research and development expenses for the quarter ended September 30, 2013 and September 30, 2012 were \$225 and \$286, respectively. The reduction in research and development expenses is due to limits placed on external costs, with the majority of spending being internally related.

The company has a forward looking program not only for upgrading its current product range, but in utilizing these, where possible, in developing further applications for key market segments, shortening the cycle from inception to delivery.

In addition, R&D efforts are directed to the ever changing world of SiP applications, including a new product embedding a micro-controller as a fully integrated system supported by appropriate software for each application to create a plug and play solution. This is another key element that will move the company ahead with its efforts and for it to build on its reputation as a solution provider to the market place.

Selling, General and Administrative Expenses (SG&A)

Selling expenses consist of sales and marketing expenses associated with efforts to market and sell the Company's products. General and administrative expenses consist of expenses for administrative personnel, professional fees, insurance and other corporate expenses.

SG&A expenses for the quarter ended September 30, 2013 and September 30, 2012 were \$713 and \$951, respectively. The decrease for the quarter as compared to 2012 is due principally to the legal, accounting fees and other related costs associated with the RTO incurred in 2012.

Stock compensation expense was \$84 for the quarter ended September 30, 2013 compared to \$89 in the comparable period of 2012.

As mentioned, the majority of revenue is generated through the Distributor network. These Partners will hold inventory and ship to customers when orders are received through the Wi2Wi sales network or through their own infrastructure.

The Wi2Wi sales network is managed through two Sales Directors in North America, who are supported by a network of specialized representatives who are compensated based on the level of revenue they generate each quarter.

Europe and Asia is managed by a well-qualified Sales Director.

As Asia is a specialized market area, a sale representative stationed in Singapore is employed to support the programs established by the entire sales team, regardless of the originating source country of each program.

Interest Expenses

Interest expenses for the quarter ended September 30, 2013 and 2012 were \$29 and \$42, respectively.

Interest in 2013 relates to escrow loans, described in Note 12 to the Financial Statements at September 30, 2013 plus interest payable on the Norton Rose loan described in Note 11. Interest for the three months ended September 30, 2012 related to the Senior Bridge Loans.

Nine months ended September 30, 2013 as compared with the Nine months Ended September 31, 2012:

Revenue

Revenues for the nine months ended September 30, 2013 and September 30, 2012 were \$3,438 and \$2,597, respectively. Revenues increased 32% for the nine months ended September 30, 2013, compared to the same period in 2012. This is a direct result of the funds introduced from ISE, following the completion of the RTO. Funds were allocated to source product and to complete deliveries to customers. The pace set in the first half of the year could not be maintained in the current quarter due to inability to source product and complete deliveries to customers to the level expected.

Gross Profit

Gross profits for the nine months ended September 30, 2013 and September 30, 2012 were \$1,361 and \$863, respectively.

Gross profits increased by 58% for the nine months ended September 30, 2013, compared to the same period in 2012. The increase in revenue year over year was a significant reason for the improvement, plus the effect of the focus to improve the gross margin on sales to customers.

Research and Development Expenses

Research and development expenses for the nine months ended September 30, 2013 and September 30, 2012 were \$740 and \$856, respectively. The reduction in research and development expenses is due to limits placed on external costs, with the majority of spending being internal related.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses for the nine months ended September 30, 2013 and September 30, 2012 were \$3,208 and \$3,106, respectively. The increase for the nine months ended September 30, 2013 as compared to 2012 is due principally to the legal, accounting fees and other related costs associated with the RTO.

Stock compensation expenses were \$352 for the nine months ended September 30, 2012 compared to \$559 in the comparable period of 2012.

SG&A costs have now stabilised with the completion of the RTO. The current quarter is an indication of the level of costs that can be expected in future reporting periods.

Interest Expenses

Interest expenses for the nine ended September 30, 2013 and 2012 were \$86 and \$77, respectively.

The increase in interest expenses for the nine months ended September 30, 2013 was due to payments on the Norton Rose loan as well as payments on the Escrow loans. The 2012 expense related to the senior bridge loans.

The Warrant Liability at December 31, 2012 of \$67 was reversed as the top up conditions related to warrants issued to a commercial bank was eliminated prior to completion of the Arrangement.

RTO accounting:

Wi2Wi is considered to be the accounting acquirer for accounting purposes in connection with the Transaction as the former shareholders of Wi2Wi control the consolidated group subsequent to the Transaction. For accounting purposes, the acquisition does not meet the definition of a business and is thus considered to be outside the scope of IFRS 3 as ISE had discontinued all of its prior business operations and its activities which, prior to the RTO, were limited to the management of cash resources, investment and the maintenance of its listing.

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. 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 most current private placement sales of Wi2Wi common stock of \$0.10 per share, before the amalgamation and conversion.

Share Listing Expense for the nine months ended September 30, 2013 is a cost of \$2,987. There is no comparable amount in the nine months ended September 30, 2012. This amount is the difference between the net assets introduced by ISE and the value of the 20% of Wi2Wi attributable to ISE, being \$5,875.

Liquidity and Capital Resources:

As of September 30, 2013, the Company had cash of \$32 compared to \$32 as of December 31, 2012. The Company had a net working capital deficit of \$1,610 as of September 30, 2013 and \$2,634, as of December 31, 2012 respectively and shareholders' deficit of \$1,506 and \$2,611 at September 30, 2013 and December 31, 2012 respectively.

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

Through December 31, 2012, \$1,155 had been received under a senior bridge loan offering which closed in May 2012. Although the senior bridge loans were not originally convertible into common shares, as a condition of closing the Arrangement, a minimum of \$500 of promissory notes issued pursuant to the senior bridge note offering had to be converted into common shares of the Company at a price of \$0.10 per common share. Holders of \$525 of the senior bridge loans converted their notes into 5,250,000 common shares of the Company on December 19, 2012. At December 31, 2012 \$630 in senior bridge loans were outstanding, all of which were repaid subsequent to that date. At September 30, 2013 there were no senior bridge loans outstanding.

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 has been paid currently as of September 30, 2013.

The closing of the Arrangement increased the capital of the Company by \$5,875, before transaction fees and other expenses, and reduced the company's working capital and shareholders' equity deficits at the time of closing. In order to satisfy certain working capital requirements prescribed by the TSXV, two directors of the Company provided secured interest bearing loans of \$500 (Canadian dollars) by way of promissory notes.

The application of the going concern basis is dependent on the continued support of the shareholders and ultimately on the Company's ability to generate future profitable operations. The Company will continue to be dependent on additional financing in the future until such time as the Company becomes profitable. See Risk Factors that the Company could face in the JMIC available on SEDAR at www.sedar.com.

Private Placement Programs:

The company initiated a program to raise additional equity funds through a Private Placement offering in the second quarter. Of the four units offered under the program, comprised of 1,000,000 common shares at an issue price of \$0.25 plus 1,000,000 warrants with an exercise price of \$0.45 and a term of two years following issue. The company was able to issue one unit for \$250,000.

Subsequent to the above, the Company initiated a replacement Private Placement offering for six units comprised of 1,000,000 common shares at an issue price of \$0.25 plus 1,000,000 warrants with an exercise price of \$0.45 and a term of three years following issue. During the current quarter a .26 proportion of one unit, or 260,000 common shares at an issue price of \$0.25 plus 260,000 common share warrants at an exercise price of \$0.45 per warrant and a term of three years was issued. Gross proceeds from this issue were \$65,000.

Subsequent to the above programs 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. And M-Partners as part of the syndicate, 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 date of issuance.

Operating Activities, Three Months ended September 30, 2013 and 2012

In the three months ended September 30, 2013, operating activities used cash of \$202 compared to cash used of \$405 in the same period in 2012. The reduction of RTO related expenses between the two reporting periods was a contributor to this reduction.

Investment Activities

Cash flow related to investment activities consisted of expenditures for property and equipment in the three months ended September 30, 2013 and 2012. The Company is not capital intensive as the capital expenditures were \$nil and \$nil for the three months ended September 30, 2013 and 2012 respectively.

Financing Activities

Cash proceeds from a share issue were \$65 in the three months ended September 30, 2013 and \$nil for the same period in 2012. During the comparable quarter in 2012, \$500 was raised as bridge loans.

Operating Activities, Nine Months ended September 30, 2013 and 2012

In the nine months ended September 30, 2013, operating activities used cash of \$2,376 compared to cash used of \$2,214 in the same period in 2012.

Investment Activities

Cash flow related to investment activities consisted of expenditures for property and equipment in the nine months ended September 30, 2013 and 2012. The Company is not capital intensive as the capital expenditures were \$44 and \$14 for the nine months ended September 30, 2013 and 2012 respectively.

Financing Activities

Cash proceeds from financing activities were \$2,420 in the nine months ended September 30, 2013 and \$2,309 for the same period in 2012. The major components of these fund raising efforts were:

- Receipt of cash of \$2,720 from ISE on the closing of the RTO transaction. There was no comparable amount in 2012;
- Issue of common shares and options exercised of \$330 in 2013. In 2012 common share issues and options exercised totalled \$1,658;
- Proceeds from the issue of Bridge Loans of \$980 in the nine months ended September 30, 2012. There is no comparable amount in the nine months ended September 30, 2013, and
- In 2012 an amount of \$329 was repaid to the Company banker. There was no comparable amount in the nine months ended September 2013.

Off Balance Sheet Arrangements

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

Related Party Transactions

At March 31, 2013 one of the Company's directors is a senior partner of Norton Rose Canada LLP (formerly Ogilvy Renault LLP). The Company has used Norton Rose Canada for legal services and advice in the past and continues to use Norton Rose Canada LLP for such services.

Subsequent to March 31, 2013, the director tendered his resignation from the Board of the Company. Accordingly, the "Related Party" Relationship was severed and the amounts owing are now shown in accounts payable and a loan payable of \$500. The Company owed Norton Rose Canada LLP \$794 at September 30, 2013 (which includes the \$500 note payable described in Note 12 to the Financial Statements at September 30, 2013) and \$1,036 as at December 31, 2012.

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

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 has been paid currently as of September 30, 2013.

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

A Director of the Company has been appointed Interim Chief Financial Officer. He receives an Honorarium of \$15 per month. At September 30, 2013, \$30 was owing to the director. There was no comparable amount in 2012.

The Company has accrued payables of \$69 and \$115 due to directors as of September 30, 2013 and December 31, 2012, respectively.

Application of Critical Accounting Estimates

The Company's financial statements for the period ending December 31, 2011 were the first financial statements prepared in accordance with IFRS. Prior to transition to IFRS, the Company prepared its financial statements in accordance with GAAP. Details of how the transition from GAAP to IFRS affected the financial position, financial performance, and cash flows for the period ending December 31, 2011 are available on Sedar at www.sedar.com.

The significant accounting policies used by the Company and critical accounting estimates and judgements made by the Company are disclosed in Notes 4 and 6 to the unaudited consolidated interim financial statements for the quarter ended September 30, 2013 and September 30, 2012 and in the audited financial statements for the years ended December 31, 2012 and 2011, which are available on Sedar at www.sedar.com.

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The emergence of new information and changed circumstance may result in actual results or changes to estimate amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

Inventories

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

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

Product Warranty

The Company offers a standard one-year product replacement warranty. The Company assesses the level and materiality of return material authorizations and determines whether it is appropriate to accrue for estimated returns of defective products at the time revenue is recognized. On 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.

Property and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are computed using the straight line method over the estimated useful lives of three years for computer equipment and software and leased furniture and fixtures, and five years for machinery and equipment and non-leased office furniture and fixtures. Fixed assets under a capital lease are being amortized straight line over the estimated lower of the lease term or useful life of the asset. Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

In accordance with IAS 36, *Impairment of Assets*, non-financial assets to be held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the Company must estimate the difference between the carrying amount of the asset and the fair

value. If the discounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Impairment charges can be subsequently reversed if the value changes. No impairment charges have been recorded for any of the periods presented.

Financial Instruments

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

<u>Financial Instrument</u>	<u>Category</u>	<u>Measurement Method</u>
Cash	Loans and receivables	Fair value
Accounts receivable	Loans and receivables	Fair value
Investment in Legend Shares	Available for sale	Fair Value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank borrowings	Other liabilities	Amortized cost
Senior bridge loans	Other liabilities	Amortized cost
Convertible notes obligation	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value

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

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

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

The investment in Legend shares is measured at fair value and is subject to remeasurement at each balance sheet date with any changes in fair value being recognised as a reduction in the value of the amount owing to the Preferred Shareholders.

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

Income Taxes

The Company accounts for income taxes under IAS 12, *Income Taxes*, which requires an asset and liability approach to recording deferred taxes. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce deferred tax assets when it is probable that a tax benefit will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date.

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

Foreign Currency Translation

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

There were no gains or losses arising from transactions denominated in currencies other than the functional currency for the three month 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 Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Research and Development

Pursuant to IAS 38, *Intangible Assets*, research costs are expensed and development costs are capitalized as an asset if certain criteria are satisfied. The development costs incurred in the three and nine month periods ended September 30, 2013 and 2012, respectively, did not satisfy the criteria and therefore were expensed.

Share-Based Payments

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