

Wi2Wi Corporation

Consolidated Financial Statements
(Expressed in US Dollars)

Years Ended December 31, 2014 and 2013

Toronto, Ontario
May 5, 2015

Wi2Wi Corporation

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Wi2Wi Corporation and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013 and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wi2Wi Corporation and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 5 to the consolidated financial statements, the Company's recurring losses, working capital deficit, and debt obligations among other factors, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

BDO USA, LLP

May 5, 2015

Consolidated Financial Statements

Wi2Wi Corporation

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

<i>December</i>	2014	2013
Assets		
Current Assets		
Cash	\$ 645	\$ 15
Trade accounts receivable, net of allowance for doubtful accounts of \$118 as of December 31, 2014 and \$25 as of December 31, 2013 (Note 9, 4)	3,448	79
Inventories (Note 10, 4)	3,581	305
Deferred inventory costs	205	42
Investment in Legend Oil and Gas (Note 12, 18)	42	820
Funds held on sale of Legend Oil and Gas shares (Note 12, 18)	-	147
Note receivable from Precision Devices HK Ltd. (Note 4)	77	-
Prepaid expenses and other current assets	256	197
Escrow funds receivable (Note 14)	-	500
Total current assets	8,254	2,105
Property and Equipment, Net (Note 11)	1,529	82
Total Assets	\$ 9,783	\$ 2,187
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,294	\$ 937
Secured subordinated convertible debenture (Note 14)	2,496	-
Accrued liabilities (Note 15)	2,954	1,595
Deferred revenue	410	67
Note payable (Note 13)	430	500
Provision for income tax	71	-
Senior bridge loans (Note 13 and 23)	-	150
Promissory notes (Note 13 and 23)	-	510
Note payable escrow (Note 14)	-	500
Payable to preferred shareholders (Note 18)	-	967
Accounts payable to related parties (Note 14)	-	125
Total current liabilities	8,655	5,351
Total liabilities	8,655	5,351
Equity (Deficit)		
Common shares – no par value (Note 18)	25,824	23,711
Contributed surplus	3,384	3,224
Accumulated deficit	(28,080)	(30,099)
Total shareholders' equity (deficit)	1,128	(3,164)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 9,783	\$ 2,187

See accompanying notes to consolidated financial statements.

See Going Concern Note 5

See Subsequent Events Note 25

Approved on behalf of the Board of Directors:

/s/ Michael Pesner, Director

/s/ Sharad Mistry, Director

Wi2Wi Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. dollars, except net Income (loss) per share)

<i>For the Years Ended December 31,</i>	2014	2013
Revenues	\$ 8,047	\$ 3,748
Cost of revenues	4,687	2,278
Gross profit	3,360	1,470
Operating expenses (Note 19)		
Research and development	846	1,000
Selling, general and administrative	2,924	4,762
Income from transfer of technology (Note 22)	(2,250)	-
Share listing expense	-	2,987
Total operating expenses	1,520	8,749
Income (loss) from operations	1,840	(7,279)
Gain on bargain purchase (Note 4)	(678)	-
Other expense	234	-
Interest expense	194	112
Income (loss) before income taxes	2,090	(7,391)
Provision for income tax	71	-
Net income (loss) and total comprehensive income (loss)	\$ 2,019	\$ (7,391)
Net income (loss) per share, basic	\$ 0.02	\$ (0.09)
Net income (loss) per share, diluted	\$ 0.02	\$ (0.09)

See accompanying notes to consolidated financial statements.

See Going Concern Note 5

See Subsequent Events Note 25

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(In thousands of U.S. dollars, except share data)

	Common Shares		Preferred Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount				
Consolidated Balances, December 31, 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 and ISE on January 28, 2013 (Note 3)	(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 18)	1,260,000	293		22		315
Shares issued upon exercise of employee options	63,926	15				15
Stock-based compensation expense				435		435
Reversal of warranty liability due to change in terms of warrants(Note 19)				67		67
Issuance of broker warrants for services in connection with Plan of Arrangements between Wi2Wi AND ISE (Note 19)				131		131
Net Loss and Comprehensive Loss					(7,391)	(7,391)
Consolidated Balances, December 31, 2013	81,804,306	\$ 23,711	16,096,084	\$ 3,224	\$ (30,099)	\$ (3,164)
Issuance of common shares for cash (Note 18)	2,706,834	428	-	-	-	428
Issuance of common shares as purchase consideration (Note 4, 18)	4,461,353	508	-	-	-	508
Conversion of notes to common shares (Note 19)	7,641,515	947	-	-	-	947
Conversion of Preferred shares to common shares (Note 19)	16	230	(16,096,084)	-	-	230
Share-based compensation expense	-	-	-	160	-	160
Net income and comprehensive income	-	-	-	-	2,019	2,019
Consolidated Balances, December 31, 2014	96,614,024	\$ 25,824	-	\$ 3,384	\$ (28,080)	\$ 1,128

See accompanying notes to consolidated financial statements.

See Going Concern Note 5

See Subsequent Events Note 25

Wi2Wi Corporation

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

<i>For Years ended December 31,</i>	2014	2013
Operating activities		
Net income (loss)	\$ 2,019	\$ (7,391)
Adjustments for non-cash items:		
Depreciation and amortization	28	51
Gain on bargain purchase price	(678)	-
Change in fair value of Legend shares	25	-
Foreign exchange	(70)	-
Loss on conversion of debt into equity	234	-
Share-based compensation	160	435
Share listing expense	-	2,987
Changes in assets and liabilities, (net of effect of acquisition):		
Accounts receivable	(1,501)	373
Inventories	(615)	(147)
Deferred inventory costs	(163)	75
Funds held on sale of Legend Oil and Gas shares	147	-
Prepaid expenses and other current assets	70	-
Accounts payable	(191)	212
Accounts payable to related parties	(125)	(1,115)
Accrued liabilities	488	1,081
Income taxes	71	-
Deferred revenue	343	(115)
Net cash provided by (used) in operating activities	242	(3,554)
Cash flows from investing activities		
Additions to property and equipment	(52)	(43)
Proceeds from sale of Legend Oil and Gas shares	16	-
Net cash used in investing activities	(36)	(43)
Cash flows from financing activities		
Proceeds from private placement of common shares	474	315
Proceeds from promissory notes	100	510
Repayment of promissory notes	(150)	-
Receipt of cash on upon completion of Plan of Arrangement with ISE	-	2,720
Proceeds from (payments to) escrow receivable	500	(500)
Proceeds from (repayments of) bridge loans	-	(480)
Proceeds from (repayment of) note payable to related party	(500)	500
Proceeds from note payable to Norton Rose	-	500
Exercise of stock options	-	15
Net Cash provided by financing activities	424	3,580
Net Increase (decrease) in cash	630	(17)
Cash, beginning of period	15	32
Cash, at end of period	\$ 645	\$ 15

Wi2Wi Corporation

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

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$	30	\$	111
Non cash investing and financing activities:				
Common shares issued to settle certain debt obligations	\$	947	\$	-
Conversion of preferred shares to common shares		230		-
Fair value of common shares - consideration for Precision acquisition	\$	508	\$	-
Fair value of net assets acquired from Precision	\$	4,206	\$	-
Secured subordinated convertible debenture – consideration for Precision acquisition	\$	2,496	\$	-
Fair value of interim funding – consideration for Precision acquisition	\$	524	\$	-
Warrants issued in connection with private placement of common shares	\$	46	\$	-

See accompanying notes to consolidated financial statements.

See Going Concern Note 5

See Subsequent Events Note 25

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

1. Nature and Description of the Company

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

The Company designs, manufactures and markets system in package and modular products for wireless applications worldwide. The Company's operating subsidiary's head office is located in San Jose, California. On October 2, 2014, the Company entered into an asset purchase agreement with Precision Devices, Inc. ("**Precision**"). Precision designs, manufactures, distributes and sells radio frequency products that include crystals, oscillators, filters and a whole range of frequency controllers. The Company received TSXV approval on November 4, 2014, (Note 4).

2. Basis of Preparation

Statement of Compliance and Authorization

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 5.

These consolidated financial statements have been authorized for issue by the Board of Directors on May 5, 2015.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

3. 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.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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 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
- (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 200,000 (Series C) shares were converted into 139,600 common shares of Wi2Wi prior to completion of the Transaction and are included in "Common Shares".

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 January 28, 2013:

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

	Wi2Wi Before Conversion	New ISE After Conversion	Existing ISE	Total After Conversion
Common Shares	293,756,229	64,384,296	16,096,084	80,480,380
Preferred Shares	2,500,000	-	-	-
Total Shares	296,256,229	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.

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

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

4. Acquisition of Precision assets

The Company on October 2, 2014 entered into an asset purchase agreement (the "Agreement") with Precision pursuant to which the Company agreed to acquire certain assets and trade liabilities of Precision used in connection with the design, manufacture, distribution, and sale of Precision's radio frequency products that include crystals, oscillators, filters and a whole range of frequency controllers ("Purchased Assets"). The acquisition complements the Company's existing line of products.

The Company will acquire the Purchased Assets at a price equal to

- (i) 4,461,353 common shares in the capital of the Company,
- (ii) \$2.5 million payable in the form of a secured subordinated convertible debenture (the "**Debenture**"). The Debenture will mature twelve (12) months following the completion of the transaction and will bear interest at the rate of 10.25% per annum payable on the maturity date of the Debenture. Precision may convert all or any part of the principal amount outstanding under the Debenture into common shares of the Company at a conversion price of CDN\$0.25 per Share, which could result in the Company issuing up to additional 11,600,000 shares.
- (iii) Interim funding provided from the date of the Agreement to receiving approval by seller amounting to \$524

The Company received Toronto Stock Venture Exchange approval on November 4, 2014.

The acquisition was accounted for under the acquisition method of accounting with the Company treated as the acquiring entity. Accordingly, the consideration paid by the Company to complete the acquisition has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The fair value of the plant and equipment was based upon the residual value of the plant and equipment, as discerned by discounted cash flow approach that was in excess of all other tangible assets whose fair values could be readily assessed. The fair value of intangibles was determined to have no value. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The following table shows the amounts recorded as of the acquisition date.

Assets acquired		
Receivables	\$	1,868
Inventory		2,661
Other current assets		129
Plant and equipment		1,423
Note receivable from Precision Devices Limited		77
Total assets acquired		6,158
Less Current liabilities assumed		(1,952)
Net assets acquired		4,206
Purchase consideration		
4,461,353 Shares in Corporation		508
Secured Subordinated Convertible Debentures (Note 13)		2,496
Interim funding (Note 4)		524
Total consideration		3,528
Gain from bargain purchase		
	\$	678

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Notes to Consolidated Financial Statements

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

The Company's results of operations for 2014 includes revenue of \$1,590 and loss from operations before interest and taxes of \$306 from the Precision acquisition from the date of acquisition through December 31, 2014.

5. Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has experienced recurring losses and has a working capital deficit of \$401 at December 31, 2014 and compared to a deficit of \$3,246 as at December 31, 2013. The Company has following amounts due in 2015; \$2.5 million plus accrued interest due November 4, 2015, and \$430 due December 31, 2015. 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. If the Company is unable to obtain an adequate level of financing, it will need to curtail planned activities and reduce costs. Doing so will likely have an unfavorable effect on the Company's ability to execute on the business plan.

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.

6. Significant Accounting Policies

Inventories

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

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

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

Property and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight line method over estimated useful lives of:

- Three years for computer equipment and software
- Five years for office furniture and fixtures
- Five to ten years for machinery and equipment
- Over the shorter of lease or estimated useful life of leasehold improvement.

Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

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

Financial Instruments

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

Financial Instrument	Category	Measurement Method
Cash	Loans and receivables	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
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
Notes payable	Other liabilities	Amortized cost
Secured Convertible Debenture	Other liabilities	Fair value
Warrant liability	FVTPL	Fair value

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. The Company will assess at each reporting period whether a financial asset is impaired. An impairment loss, if any, is included in income or loss. Impairment provisions

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Notes to Consolidated Financial Statements

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

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 Income (Loss) and Comprehensive Income (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 re-measurement at each balance sheet date with any changes in fair value being recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

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

Income Taxes

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

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

Foreign Currency Translation

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

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the periods ended December 31, 2014 and 2013.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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

Research and Development

Pursuant to IAS 38, *Intangible Assets*, research costs are expensed and development costs are capitalized as an asset if certain criteria are satisfied. The development costs incurred in the years ended December 31, 2014 and 2013, 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 Income (Loss) and Comprehensive Income (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 Income (Loss) and Comprehensive Income (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.

7. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2014, 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.

As of January 1, 2014, the Company adopted amendments to IAS 36, "Impairment of Assets". The amendments reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period.

As of January 1, 2014, the Company adopted IFRS Interpretations Committee ("IFRIC") 21 "Levies". IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified in the relevant legislation, occurs.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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Adaptation of these policies is not expected to have a significant effect on the Company's condensed consolidated interim financial statements

New standards and interpretations not yet adopted:

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as, a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard becomes effective for reporting periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of this new standard.

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier adoption is permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements

In December 2014, the IASB issued Amendments to IAS 1 - Presentation of Financial Statements. The objective of the amendments was to facilitate improved financial statement disclosures and should not require any significant change to current practices. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2016. The Company is currently evaluating the impact of Amendments to IAS 1 on its financial statement

8. Critical Accounting Estimates and Judgments

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

Product Warranty

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

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Notes to Consolidated Financial Statements

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Inventories

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

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including property, plant and equipment at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of the property and equipment useful lives are provided in Note 6.

9. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company had a bad debt reserve of \$118 in 2014 and \$25 in 2013.

10. Inventories

Inventories consist of:

<i>December 31,</i>	2014	2013
Raw materials and work in progress (gross)	\$ 1,974	\$ 295
Inventory write-down	(28)	(2)
Raw materials and work in progress (net)	1,946	293
Finished goods (gross)	1,663	22
Inventory write-down	(28)	(10)
Finished goods (net)	1,635	12
Total	\$ 3,581	\$ 305

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11. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2013	\$ 408	\$ 106	\$ 75	\$ -	\$ 589
Acquisition assets	1,344	26	12	41	1,423
Additions	51	1	-	-	52
Deletions	(55)	(5)	-	-	(60)
At December 31, 2014	\$ 1,748	\$ 128	\$ 87	\$ 41	\$ 2,004
Accumulated Depreciation					
Balance, December 31, 2013	\$ 345	\$ 88	\$ 74	\$ -	\$ 507
Additions	21	4	1	2	28
Deletions	(55)	(5)	-	-	(60)
At December 31 2014	\$ 311	\$ 87	\$ 75	\$ 2	\$ 475
Net Book Value					
At December 31, 2013	\$ 63	\$ 18	\$ 1	\$ -	\$ 82
At December 31, 2014	\$ 1,437	\$ 41	\$ 12	\$ 39	\$ 1,529

12. 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 was 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.

At December 31, 2012, ISE had 23,375,247 shares. 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. The Company is in the process of having the trading restrictions removed.

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. At the Company's Special and Annual General meeting on October 31, 2014, the preferred shareholders

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approved to bring forward the conversion date of the preferred shares to common shares to November 28, 2014 (Note 18). During 2012, 2013 and 2014 the Company has sold 1,025,000 shares for net proceeds of \$162. Subsequent to approval by preferred shareholders at the Annual General Meeting, the net proceeds were used for Company's general working capital. At December 31, 2014 the trading price had fallen to \$0.0019 with a resultant value of \$42.

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

13. Debt

Senior Bridge Loan

The Senior Bridge Loans were not originally convertible into common stock. However, the Company on November 14, 2014 negotiated and converted the \$150 Senior Bridge Loan and accrued interest to the Common shares of the Company (see Note 18)

Note Payable – Norton Rose

As a condition of closing of the Plan of Arrangement the Company converted CAD\$500 of the amount owing to Norton Rose into an unsecured promissory note bearing interest at 10% per annum, originally maturing January 31, 2015, extended to December 31, 2015. The value of the note payable at December 31, 2014 is \$430.

Promissory notes

The Company issued promissory notes in December 2013, amounting to \$510 bearing interest rate of 10%, of which \$60 of the promissory notes was due to a former director of the Company. In January 2014, additional promissory notes were issued on same terms amounting to \$100. \$150 of the promissory notes were repaid in October 2014. On November 14, 2014 the Company converted the remaining notes and accrued interest to Common shares of the Company (see Note 18).

Secured subordinated convertible debenture

As part of the purchase price the Company issued a Convertible secured convertible note for \$2.5 million (the "Debenture"). The Debenture will mature on November 4, 2015 and will bear interest at the rate of 10.25% per annum payable on the maturity date of the Debenture. Precision may convert all or any part of the principal amount outstanding under the Debenture into common shares of the Company at a conversion price of CDN\$0.25 per Share, which could result in the Company issuing approximately 12 million shares dependent on the exchange rate at the time of conversion. The conversion option is considered to be a derivative because the conversion feature is in CDN\$, which is different than the Company's functional currency USD\$. Therefore, the derivative is bifurcated and recorded as its own derivative liability. A fair value measurement was completed at the time the convertible debt was issued, and FV is updated at each reporting date.

The Debenture is recorded at fair value (excluding the conversion option derivative), and this from face value is being accreted over the life of the loan with a charge to interest expense. Present value factor discount rate of 15.4% was used to determine the fair value of the Debenture.

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14. Related Parties

As a condition of approval of the Plan of Arrangement, an amount of \$500 was placed in Escrow, which will be released to the Company upon obtaining a Line of Credit exceeding \$2 million with a Commercial Bank or upon approval by the Toronto Stock Exchange. This amount was placed in Escrow by two Directors as loans bearing interest at the rate of 10% per annum. The director notes are due upon earlier of the Company obtaining the \$2 million line of Line of Credit or 12 months from the issuance date of the note. The escrow amounts were released to the Company, and notes to the two directors were repaid on February 25, and March 27, 2014.

On March 7, 2013 a director of the Company was appointed as the Interim Chief Financial Officer of the Company. He received an honorarium of \$15 per month commencing March 2013. The director resigned on May 7, 2014.

On May 7, 2014 subsequent to resignation of the director and Interim Chief Financial Officer another director of the Company was appointed as the Interim Chief Financial Officer of the Company. He received an honorarium of \$15 per month commencing October 1, 2014.

In December 2013, a former director of the Company advanced \$60 under a promissory note bearing an interest rate of 10%, which was converted to shares of the Company, on November 14, 2014 (See Note 18).

The Company incurred expenses related to travel by directors and officers of \$50 and \$79 in the years ended December 31, 2014 and 2013, respectively.

The total owing to related parties at December 31, 2014 and 2013 was \$nil and \$125 respectively.

15. Accrued Liabilities

Accrued liabilities consist of:

<i>December 31</i>	2014	2013
Accrued compensation	\$ 498	\$ 396
Accrued interest	202	54
Accrual for legal proceedings (Note 16)	1,242	816
Accrual for legal and professional	226	-
Interim funding provided by Precision (Note 4)	524	-
Accrual for warrant liability	17	-
Accrual for conversion feature	30	-
Other accrued expenses	215	329
	\$ 2,954	\$ 1,595

16. Legal Proceedings

Accrual for 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 November 20, 2013.

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Judgment was rendered on January 28, 2014. Two of the directors were found liable and ordered to pay \$648 plus interest and additional indemnity as of July 6, 2010, totaling \$842, (December 31, 2013- \$794) . The action against the other two directors was dismissed. An appeal has been filed to overturn the Judgment and dismiss the action as a whole against all Defendants which is scheduled to be heard on May 27, 2015.

The Directors and Officers insurer ("D&O") has taken the position that this falls under an exclusion of the otherwise applicable policy. After assessing the probability of an unfavorable outcome, the Company determined that such unfavorable outcome was more likely than not and as such has accrued \$794 at December 31, 2013 with respect to this matter, with \$842 as at December 31, 2014 including interest for 2014. The D&O insurer has also asserted that they may pursue the defendants for legal fees incurred to date of \$510, which have not been accrued at December 31, 2014 given that the Company determined that the likelihood of payment is remote.

The Company on October 30, 2014 received a complaint filed in the Superior Court for the State of California by a former executive of the Company, for breach of contract, labour code violation, termination in violation of public policy, breach of the covenant of good faith and fair dealing. The claim is in the region of \$400 excluding legal costs. The Company has reserved a provision of \$459 in accrual for legal proceedings and intends to contest the claim.

The Company had received a request dated January 7, 2014 from the Department of State Bureau of Securities Regulation, State of New Hampshire for documents pursuant to a complaint received against a director of the Company pursuant to an investment made in Wi2Wi Inc. The Company complied with the request and does not anticipate any action against the Company as it has transpired that the complaint against the director was made in his capacity as the complainant's investment advisor.

In addition, the Company received a subpoena dated February 15, 2015 from the Securities and Exchange Commission, Boston, Massachusetts, and regional office for documents pursuant an investment made in Wi2Wi Inc. The subpoena for documents appears to be on the same lines as the request from the Bureau of Securities Regulation, State of New Hampshire. The Company is complying with the request and does not anticipate any action against the Company.

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.

17. Commitments and Contingencies

Leases

San Jose

The lease its offices in San Jose and is required 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 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 years ended December 31, 2014 and December 31, 2013 were \$212 and \$105, respectively.

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Middleton

The Company leases the 38,000 square foot Middleton facility from PDI Properties, LLC. The lease agreement expires in May 2015, with an automatic 5 year extension if there is no default, unless the Company gives a written notice on or before November 20, 2014. No notice was given by the Company. The lease requires the payment of property taxes, utilities, normal maintenance, and general liability insurance.

Rental expense for operating lease for the two months ended December 31, 2014 was \$77.

The future minimum lease payments under the non-cancellable operating leases and the extension thereof, expiring in November 2016, for San Jose location, and May 15, 2020 for Middleton location is as follows:

Year	Amount
2015	\$615
2016	621
2017	493
2018	508
2019	523
2020`	539
Total	\$3,299

18. Share Capital

The Company considers the items included in the consolidated statements of changes in shareholders' equity, deficit 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 years ended December 31, 2014 and December 31, 2013.

Common Shares

The authorized capital stock of the Company consists of an unlimited number of common shares. Holders of common shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders.

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.

On June 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 CDN\$0.25 per share, plus warrants of 1,000,000 exercisable at CDN\$0.45 per warrant and with a term of two years following issuance of such shares.

In 2013, 63,926 stock options were exercised for proceeds of \$15.

In September 2013 the Company issued 0.26 proportion of 1 unit (equal to 260,000 common shares) at an issue price of CDN\$0.25, for gross proceeds of \$65. The issuance was combined with 260,000 common share warrants with an exercise price of CDN\$0.45 and a term of three years.

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There are 96,614,024 Common shares issued at December 31, 2014 and 81,804,306 Common Shares issued at December 31, 2013

Private placement

The Company announced on February 27, 2014 closing of first tranche of its non-brokered private placement Offering, issuing 2,175,000 units at a price of CDN\$0.20 (approximately \$0.18) per Unit. A Unit consist of one common share of the Company and one half of one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of CDN\$0.25 per share. The warrants will expire on April 30, 2016.

On April 30, 2014, the Company received acceptance for filing documentation, the final number of shares issued amounted to 2,706,834, along with 1,480,726 warrants attached to those shares, for gross proceeds of \$474. The value of the warrants was \$46 (note 19), and the remaining \$428 was allocated to the common stock.

Conversion of certain obligations to common shares

The Company on October 23, 2014 entered into agreements to issue shares to settle an amount of \$460 owed to holders of promissory notes, \$150 Senior Bridge loan, \$30 of accrued interest, and an amount of \$73 owed to a service provider. The Company issued 7,197,344 common shares at a deemed price of CDN\$0.10 per share in settlement of the above-noted amount owed to debt securities holders and 444,171 common shares at a deemed price of CDN\$0.18 per share in settlement of the above-noted amount owed to a service provider. The traded price of the Company's common stock on the day of conversion in November 2014 was CDN\$0.14 (approximately \$0.12). The Company recorded a loss on conversion of \$234 which is recorded as other expense on the consolidated statement of income.

Preferred Shares

The Company had three classes of preferred shares (A, B and C), each authorized for an unlimited number of shares to be issued. Preferred shares are nonvoting and are convertible to common shares on a one for one basis. As a result of the RTO transaction (Note 3), all classes of preferred shares were cancelled.

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. The holders of these preferred shares are entitled to receive dividends as and when declared by the Board in an amount equal to the aggregate of the net cash proceeds received by Wi2Wi from sale of Legend shares or any cash dividend, distribution or any other payment in respect of Legend shares.

Conversion of preferred shares to common shares

The preferred shareholders on October 31, 2014 at the Company's Annual and special meeting of the shareholders, passed a special resolution authorizing an amendment to the Articles of the Company to amend the date of the conversion of the preferred shares to November 28, 2014. The conversion eliminated the \$230 owed to preferred shareholders on amounts realized on Legend shares and the amount is now included in common stock.

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19. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2014 the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan).

Options are granted at an exercise price not less than the fair value of the Company's shares at the date of grant. Options granted to employees generally vest over periods of up to 48 months as determined by the Board of Directors and generally have a 12-month cliff vest followed by a 36-month vesting schedule. Options granted to the Company's directors and certain consultants vest fully upon issuance or vest over 1-3 years.

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

On December 31, 2014 the Company granted 6,575,000 options at CDN\$0.17 per option, to directors, officers and employees of the Company.

The following table summarizes the stock option activity as of December 31, 2014

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2012	47,891,666	\$ 0.06
Converted at the date of the Plan Arrangement	10,496,698	0.30
ISE options at date of the Plan of Arrangement	1,535,000	0.68
Options granted ¹	6,843,930	0.17
Options exercised	(63,926)	0.23
Options forfeited or expired	(915,000)	0.78
Options outstanding at December 31, 2013	17,896,702	0.27
Options forfeited or expired ²	(11,694,115)	0.28
Options granted December 31, 2014	6,575,000	0.15
Options outstanding at December 31, 2014	12,777,587	\$ 0.20

1. These stock options were issued in CDN\$0.195 converted to US\$ at the December 31, 2014 exchange rate.

2. These stock options were issued in CDN\$0.17 converted to US\$ at the December 31, 2014 exchange rate.

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The following table summarizes stock options outstanding and exercisable as of December 31, 2014:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
\$			
0.147 ¹	6,575,000	7.00	-
0.168 ²	3,923,162	5.47	2,749,651
0.228	838,347	3.55	838,347
0.342	789,033	4.99	789,033
0.456	652,045	6.90	558,343
	12,777,587		4,935,374

1. These stock options were issued in CDN\$0.17 converted to US\$ at the December 31, 2014 exchange rate.

2. These stock options were issued in CDN\$0.195 converted to US\$ at the December 31, 2014 exchange rate.

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

The value of the Company's stock options granted under its stock option plan granted during the years ended December 31, 2013 and 2012 was estimated at the date of grant using the following weighted-average assumptions:

	2014	2013
Expected life range	2.87-7.42 years	3.08-6.08 years
Risk-free interest rate	0.36-1.09%	0.36-1.09%
Volatility range	44% - 52%	44% - 52%
Dividend yield	-	-

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

December 31,	2014	2013
Research and development	\$ 154	\$ 37
Selling, general and administrative	6	398
	\$ 160	\$ 435

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Warrants

The following table summarizes the warrants issued by the Company as of December 31, 2014:

	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	1,260,000	0.39
Warrants expired	(526,021)	0.68
Warrants outstanding at December 31, 2013	3,194,228	\$ 0.56
Expired	(739,719)	0.68
Issuance of warrants on Share issue ²	1,480,725	0.22
Warrants outstanding at December 31, 2014	3,935,234	\$ 0.37

1. The exercise price of these warrants is CDN\$0.45, which is converted to US\$ at the December 31, 2014 exchange rate for presentation in this table.

2. The exercise price of these warrants is CDN\$0.25, which is converted to US\$ at the December 31, 2014 exchange rate for presentation in this table.

At December 31, 2014 and 2013 the Company has 2,740,726 and 1,260,000 warrants which are accounted for as liabilities. The exercise price of these warrants is denominated in CDN and since that is different than the Company's functional currency of the USD, the warrant is a liability.

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.

In 2014, as part of the share issue, the Company issued 1,480,726 warrants to purchase common shares of the Company, at an exercise price of CDN\$0.25. The warrants vest immediately and expire two years from the date of issuance. The fair value of \$46 was estimated on the grant date using the Black-Scholes valuation model and recorded as a reduction of the common stock proceeds. The warrant is a liability and the fair value of this warrant is \$17 at December 31, 2014.

In 2013 the Company issued 876,704 warrants in connection with the RTO transaction, at an exercise price of \$0.57 per share, which vest immediately and expire 3 years from the date of issuance. The fair value of \$131 was estimated on the respective date of grant using the Black-Scholes valuation model and recorded within general and administrative expense.

The Company also issued 1,260,000 warrants in connection with the issuance of common stock, at an exercise price of CDN\$0.45 per share. The warrants vest immediately and expire three years from the date of issuance. The fair value of \$22 was estimated on the respective date of grant using the Black-Scholes valuation model and recorded as

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a reduction of the common stock proceeds. The warrant is a liability and the fair value of this warrant liability was nominal at December 31, 2014 and 2013

The value of the warrants issued during the period ended December 31, 2014 was estimated at the date of issuance using the following weighted-average assumptions:

	2014	2013
Expected life	2 years	3 years
Risk-free interest rate	0.45 – 0.50%	0.45 – 0.50%
Volatility	44-50%	44-50%
Dividend yield	0%	0%

Summarized information about warrants as of December 31, 2014 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
\$			
0.22 ²	393,226	1.20	393,226
0.22 ²	1,087,500	1.12	1,087,500
0.34	87,670	2.23	87,670
0.39	260,000	1.74	260,000
0.43 ¹	1,000,000	0.43	1,000,000
0.46	65,752	2.23	65,752
0.46	164,382	3.10	164,382
0.57	876,704	1.08	876,704
	3,935,234	1.06	3,935,234

1. The exercise price of these warrants is CDN\$0.45, which is converted to US\$ at the December 31, 2014 exchange rate for presentation in this table.

2. The exercise price of these warrants is CDN\$0.25, which is converted to US\$ at the December 31, 2014 exchange rate for presentation in this table.

Per Share Calculation

The basic and diluted per share has been calculated based on 86,021,719 and 80,621,453 weighted average number of common shares outstanding for the year ending December 31, 2014 and 2013 respectively.

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20. Expenses by Nature

<i>December 31,</i>	2014	2013
Compensation sales and general	\$ 1,341	\$ 2,809
Compensation research and development	826	936
Research and development other	20	40
Depreciation and amortization	39	52
Facility related expenses	192	144
Professional and consulting services	904	757
Legal proceeding	-	794
RTO	-	690
Share listing expense	-	2,987
Other costs	448	476
	\$ 3,770	\$ 8,749

21. Income Taxes

There is a \$71 and \$0 tax provision recorded for the years ended December 31, 2014 and 2013, respectively.

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

<i>December 31,</i>	2014	2013
Computed tax expense (benefit)	\$ 711	\$ (2,264)
Nondeductible items and other	(7)	3
Acquisition costs	-	913
State taxes, net of federal benefit	95	(173)
Foreign rate differential	6	378
True-ups	(280)	293
Credits	(46)	202
Valuation allowance	(408)	648
	\$ 71	\$ -

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

<i>December 31,</i>	2014	2013
Accruals and reserves	\$ 505	\$ 352
Share-based compensation	544	457
Net operating loss and research and development credit carryforwards	8,253	8,905
Total deferred tax assets	9,302	9,714
Deferred taxes not recognized	(9,300)	(9,709)
Total deferred tax assets net of write-downs	2	5
Total deferred tax liabilities	(2)	(5)
Net deferred tax assets	\$ -	\$ -

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

Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical losses and projections for future taxable income over the periods to which the deferred tax assets are applicable, management believes it is not more likely than not the Company will realize the benefits of these deductible differences, therefore a valuation allowance is established at 100%.

The Company's total gross unrecognized tax benefits are as follows:

<i>December 31,</i>	2014	2013
Balance at beginning of period	\$ 280	\$ -
Tax positions related to current year:		
Additions	9	13
Tax positions related to prior year:		
Additions	-	267
Balance at ending of period	\$ 289	\$ 280

At December 31, 2014 and 2013, the Company's total gross unrecognized tax benefits were \$289 and \$280. If recognized, none of the gross unrecognized tax benefit would affect the effective tax rate.

The Company had U.S. federal and state net operating loss (NOL) carryforwards of approximately \$18,303 and \$21,151, respectively, available to offset future taxable income at December 31, 2014, and approximately \$20,183 and \$22,738, respectively, at December 31, 2013. The federal NOL carryforwards will expire beginning 2027, if not utilized. The state NOL carryforwards will expire beginning 2017, if not utilized.

In addition, the Company had federal and state research and experimental credit (R&D credit) carryforwards of approximately \$536 and \$427, respectively, available to offset future income tax liabilities at December 31, 2014,

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and approximately \$522 and \$411, respectively, at December 31, 2013. The federal R&D credit carryforwards expire beginning 2026 and the state R&D credit can be carried forward indefinitely.

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

22. Technology Transfer

On August 1, 2014 the Company reached an agreement with one of its customers ("Customer") to transfer technology and know-how for \$2.25 million. The technology and know-how transfer relates to manufacturing of a specific wireless connectivity module, which is exclusively used by the Customer. Wi2Wi has agreed to transfer certain know-how, manufacturing documentation, and provide certain services, to enable the Customer to transfer production of the specific module. The agreement is predicated on three milestones, all of which the Company has fulfilled by December 31, 2014 and the \$2.25 million is recorded as income from transfer of technology in the 2014 consolidated statement of income. The final installment of \$563 was included in accounts receivable at December 31, 2014 and was collected on January 8, 2015. The Company has no ongoing obligations to the customer related to this transfer of technology.

23. Business Risks and Concentrations

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

Liquidity Risk

The Company has significant liquidity risk as it has experienced recurring losses and had working capital deficits at December 31, 2014 and December 31, 2013 \$401 and \$3,246, respectively. These matters, among others, raise substantial doubt about the ability of the Company to continue in existence as a going concern. See Note 5 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of December 31, 2014 and December 31, 2013 as follows:

Customer	December 31, 2014		December 31, 2013	
	Revenue %	AR %	Revenue %	AR %
A	27%	45%	22%	3%
B	24%	21%	29%	60%
C	17%	8%	4%	0%
D	15%	0%	1%	29%

The Company has \$217, and \$nil in outstanding receivables over 90 days at December 31, 2014 and December 31, 2013, respectively.

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Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at December 31, 2014 include cash, accounts receivable, bank borrowings, accounts payable and warrant liability. With the exception of the warrant liability, the carrying values of these financial instruments approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The fair value of amounts due to related parties cannot be determined due to the related party nature of the transactions.

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

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

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

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

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

During 2014, the Company had two new financial instruments that require a recurring level 3 fair value measurement. The warrants issued in connection with the 2014 private placement transaction are liabilities (see note 19). The fair value at the grant date was \$46 and the fair value at December 31, 2014 is \$17. The fair value calculation was performed using a Black Scholes model, with the assumptions discussed in note 19. Also in 2014, the conversion feature associated with the secured subordinated convertible debenture was determined to be a derivative (see note 13). The fair value at the grant date and at December 31, 2014 was \$30. The fair value calculation was performed using a Black Scholes model, with the assumptions discussed in note 19, as well as a foreign currency conversion factor.

24. Key Management Personnel Compensation

December 31,	2014	2013
Director fees, officer compensation	\$ 568	\$ 846
Benefits and other personnel costs	-	80
Share based payments	5	101
	\$ 573	\$ 1,026

25. Subsequent Events

The Company received a subpoena dated February 15, 2015 from Securities and Exchange Commission, Boston, Massachusetts, regional office for documents pursuant to a complaint received in connection to an investment made in Wi2Wi Inc., and the exact nature of the complaint is not known to the Company, but is related to a period prior to the RTO transaction. The Company is complying with the request to produce documents requested.