

Wi2Wi

Management Discussion and Analysis

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 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.

Management Discussion

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 August 28, 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements as at and for the six and nine month periods ended June 30, 2014, and 2013 and audited consolidated financial statements for years ended December 31, 2013 and 2012 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 and related solutions as complete wireless connectivity solutions for Machine-to-Machine (M2M), IOT and portable device applications globally. Wi2Wi distinguishes itself from commodity grade products, having developed connectivity solutions based on 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.

Technology transfer

On August 1, 2014 the Company reached an agreement with one of its customers (“Customer”) to transfer technology and know-how for USD\$2.25million. 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, of which the first milestone has been completed and the Company has received the first payment of USD\$1.125 million. The Company is in process of completing the two remaining milestones, which are expected to be completed by December 31, 2014.

Overview

- 1) These financial statements have been prepared by management;
- 2) The Management Information Circular detailing the transactions.

All of 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 unaudited condensed consolidated interim financial statements. It is management's opinion that these unaudited condensed consolidated interim 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 and are included "Common Shares".

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:

| | Wi2Wi Before Conversion | New ISE After Conversion | Existing ISE | Total After Conversion |
|---------------------------------|-------------------------------|--------------------------------|-----------------|------------------------------|
| As at January 28, 2013 | | | | |
| Common Shares | 293,756,229 | 64,384,296 | 16,096,084 | 80,480,380 |
| Preferred shares (Series A & B) | 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, 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 5 of the audited consolidated 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 August 28, 2014.

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;
- Launched W2CBW0019, Dual-Band SiP, with advanced technology and a target production release scheduled for mid 2014
- Launched the development of Serial WiFi
- Completed regulatory certification and production-readiness of W2CBW0016;
- Launched development of Low -Energy Bluetooth module ;
- As of December 2013, the Company had 20 design wins or design in's for the 3rd Generation WiFi & WiFi-Bluetooth product (0015 & 0016);
- As of December 2013, the Company had 41 design wins or design in's for the 3rd Generation GPS products (0008 & 0084);
- 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;
- Continuation of Major New Design Wins with Tier-1 & Key Customers, with customers' production orders expected in late 2013 & 2014;
- 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;
- Exercise 63,926 options for gross proceeds of \$15;

- The total Common Shares in issue as at December 31, 2013 is 81,804,306;
- The total Warrants in issue as at December 31, 2013 are 3,720,249;
- In 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 December 31, 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 year ended December 31, 2013 was \$84 compared with \$89 for the same period in 2012.

Highlights of 2014:

- The Company announced on February 27, 2014 closing of first tranche of its nonbrokered private placement Offering, issuing 2,175,000 units at a price of CDN\$0.20 per Unit. On April 30, 2014, the Company received acceptance for filing documentation, the final number of shares issued amounted to 2,961,452, along with 1,480,726 warrants attached to those shares, for gross proceeds of CDN\$592.
- Continued re-building the America's sales team and network of manufacturers representative, including five new sales partners;
- Launched the development of high performing but low cost WiFi solutions;
- Launched development of Low -Energy Bluetooth module ;
- Many of the design wins or design in's for the 3rd Generation WiFi & WiFi-Bluetooth product (0015 & 0016) are transitioning to pre-production and some are transitioning to production;
- Most of the design win's for the 3rd Generation GPS products (0008 & 0084) are entering into volume production;
- Evaluating the prototype of 4th generation GNSS Product supporting the European Satellite System With advanced technology with target production release scheduled for the second half of 2014;
- Launched the development of GNSS products supporting China
- Continuation of Major New Design Wins with Tier-1 & Key Customers, with customers' production orders expected in late 2014 & 2015;
- Continuing focus on new generation wireless solution development
- August 2014, reached an agreement with one of its customers to license technology and know-how for \$2.25million.
- Entered into an agreement with the company's key distribution partner to finance procuring raw materials to facilitate the product build.

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.

Results of Operations:

The unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2014 and 2013 form integral part of this MD&A. All amounts are expressed in thousands of U.S. dollars.

Selected Quarterly Information:

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

| In thousands of Dollars | 2014 Q2 \$ | 2014 Q1 \$ | 2013 Q4 \$ | 2013 Q3 \$ | 2013 Q2 \$ |
|---|------------------|------------------|------------------|------------------|------------------|
| Statement of results | | | | | |
| Revenue | 1,463 | 1,175 | 310 | 860 | 1,324 |
| Gross profit | 746 | 586 | 109 | 316 | 551 |
| Operating expenses | | | | | |
| Research and development | 219 | 253 | 260 | 225 | 262 |
| Selling, general and administrative | 479 | 732 | 760 | 713 | 958 |
| Net Loss before interest, income taxes and Share Listing Expense | 49 | (399) | (911) | (622) | (669) |

| In thousands of Dollars | 2013 Q1 \$ | 2012 Q4 \$ | 2012 Q3 \$ | 2012 Q2 \$ | 2012 Q1 \$ |
|---|------------------|------------------|------------------|------------------|------------------|
| Statement of results | | | | | |
| Revenue | 1,253 | 665 | 858 | 938 | 801 |
| Gross profit | 494 | 246 | 281 | 295 | 287 |
| Operating expenses | | | | | |
| Research and development | 253 | 310 | 286 | 297 | 273 |
| Selling, general and administrative | 1,537 | 847 | 895 | 1,460 | 695 |
| Net Loss before interest, income taxes and Share Issue Expense | (1,296) | (911) | (900) | (1,462) | (681) |

Three and six month periods ended June 30, 2014 as compared with June 30, 2013:**Revenue**

Revenues for the quarters ended June 30, 2014 and 2013 were \$1,463 and \$1,324, respectively. Revenues increased by 10% for the quarter ended June 30, 2014, compared to the same period in 2013.

Revenue for the six month ended June 30, 2014 and 2013 were \$2,638 and \$2,577, respectively. Revenues increased by 2.3% for the six month period ended June 30, 2014, compared to the same period in 2013.

The company has resumed product builds and shipments in the second quarter of 2014.. The Company had shippable backlog of approximately \$2.9 million for the second quarter of 2014 a significant demand for its product. 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, European Union and in Asia.

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 second quarter ended June 30, 2014 and 2013 were \$746 (gross margin 51%) and \$551 (gross margin-41.6%), respectively, an increase in gross profit of 34%. Gross margins for the second quarter continue to improve.

Gross profits for the six month period ended June 30, 2014 and 2013 were \$1,332 (gross margin 50.4%) and \$1,045 (gross margin-40.55%), respectively, an increase in gross profit of 27%.

The increase in margin is due to the continued efforts on manufacturing yield improvements, Optimising manufacturing batch sizes, successful efforts in manufacturing cost reductions and retaining the ASP of the products

Gross margins are stabilised for the legacy products. As production runs increases for the new generation of products, 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 second quarters ended June 30, 2014 and 2013 were \$219 and \$262 respectively. For the six month periods ended June 30, 2014 and 2013 the research and development costs were \$472 and \$515 respectively, a decrease of 9.4%.

Investment in R&D—The cash constraints company has been experiencing delayed new products introduction to fourth quarter of 2014. The company is expediting the product development and the current investment in R&D is anticipated to pay off in late 2015 to early 2016

The lack of increase 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 second quarters ended June 30, 2014 and 2013 were \$479 and \$958, respectively. For the six month periods ended June 30, 2014 and 2013 the SG&A costs were \$1,211 and \$2,495 respectively, a decrease of 51.47%.

The decrease in SG&A costs as compared to 2013 is due principally to the reduction in staff, legal, accounting fees and other overhead costs. The Company has undertaken a restructuring of its operations benefits of which will continue to show in the future. In the second quarter, the Company laid off 4 staff, (including sales staff), and still managed to increase revenues for the second quarter.

Stock compensation expense was \$59 for the quarter ended June 30, 2014 compared to \$252 in the comparable period of 2013, in which the Company had issued stock options to staff and directors.

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 the sales staff and inside sales staff, who are supported by a global network of specialized representatives who are compensated based on the level of revenue they generate each quarter.

Interest Expenses

Interest expenses for the second quarters ended June 30, 2014 and 2013 were \$37 and \$30, respectively, and for six months ended June 30, 2014 and 2013 \$54 and \$57 respectively..

Interest in 2014 relates to escrow loans, Senior Bridge Loans and on the Norton Rose loan described in Note 12 to the unaudited interim condensed consolidated financial statements at June 30, 2014.

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 year ended December 31, 2013 is a cost of \$2,987. There is no comparable amount 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 June 30, 2014, the Company had cash of \$131 compared to \$15 as of December 31, 2013. The Company had a net working capital deficit of \$2,949 as of June 30, 2014 and \$3,246, as of December 31, 2013 respectively and shareholders' deficit of \$2,888 and \$3,164 at June 30, 2014 and December 31, 2013 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. In August 2014, the Company reached an agreement with one of its customers to transfer technology and know-how for \$2.25million which will greatly assist the cash flow situation.

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. The escrow amounts and interest were released on February 25, and March 27, 2014.

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. 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 per Unit. On April 30, 2014, the Company received acceptance for filing documentation, the final number of shares issued amounted to 2,961,452, along with 1,480,726 warrants exercise price of \$0.25, with a 2 year expiry, attached to those shares, for gross proceeds of CDN\$592.

There are 84,765,758 Common shares issued at June 30, 2014 and 81,804,306 Common Shares in issue at December 31, 2013.

Operating Activities, Six and three months ended June 30, 2014 and 2013

In the three months ended June 30, 2014, operating activities used cash of \$55 compared to cash used of \$125 in the same period in 2013. For the six month period to June 30, 2014 and 2013, operating activities used cash of \$467 compared \$2,174 respectively.

Investment Activities

Cash flow related to investment activities consisted of expenditures for property and equipment. In the three months ended June 30, 2014 and 2013, there were no capital expenditures. The Company is not capital intensive as the capital expenditures were minimal for 2013 (\$44) and there were no expenditures in six month period ended June 30, 2014.

Financing Activities

Cash proceeds from a share, and debt issue were \$nil and \$265 in second quarter 2014 and 2013 respectively. For the six month period ended June 30, 2014 and 2013, the Company had raised \$583 and \$265 for respective periods.

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 was 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 \$857 at December 31, 2013 (which includes the \$500 note payable described in Note 12 to the unaudited interim condensed consolidated financial statements at June 30, 2014 and \$1,036 as at December 31, 2013). As a condition of closing of the Arrangement, \$500 payable to Norton Rose will be deferred until January 24, 2014. The Company is currently negotiating an extension of the note.

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. The escrow amounts were released on February 25, and March 27, 2014.

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 interim condensed consolidated financial statements for the periods ended June 30, 2014 and 2013, 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 and six month periods ended June 30, 2014 and 2013.

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 six month periods ended June 30, 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 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.

IFRS

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 - Financial Instruments replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2015. The Company has not yet evaluated the impact on the financial statements.

IAS 32 - Financial Instruments: Offsetting Financial Assets and Financial Liabilities

IAS 32 - Financial Instruments: Offsetting Financial Assets and Financial Liabilities provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the financial statements effective from January 1, 2014. There is no impact on the Company's consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No 2014-9 "Revenue from Contracts with Customers." The new accounting standards update require 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 after December 15, 2016, with no early adoption permitted. The Company is currently assessing the impact of this new standard.

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

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

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

The glossary of financial terms is as follows:

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

Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Our disclosure controls are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2013, have concluded that the Company's disclosure controls are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Management's Report On Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded appropriately to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition or use or disposition of our assets that could have a material effect on the financial statements. Based on their evaluation, the CEO and CFO have concluded that, as at December 31, 2013, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Management's Responsibility for Financial Reporting

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

The unaudited interim condensed consolidated financial statements have been examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of two independent directors, who are not officers of the Company, reports to the Board of Directors.

Risk Factors

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

Further Information

Additional information on the Corporation, including the Annual Information Form, may be obtained on SEDAR at www.sedar.com.