Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in US Dollars)

Three Months Ended March 31, 2015, and March 31, 2014

Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements have been prepared by the company's management and the Company's independent auditors have not performed a review of these financial statements.

Toronto, Ontario
May 28, 2015

Wi2Wi Corporation

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Wi2Wi Corporation

Unaudited Condensed Consolidated Interim Statements of Financial Position

(In thousands of U.S. dollars)

		March 31, 2015		December 31, 2014
Assets				
Current Assets				
Cash	$	1,768	$	645
Trade accounts receivable, net of allowance for doubtful debt of $120 as of March 31, 2014 and $118 as of December 31, 2014 (Note 8)		3,355		3,448
Inventories (Note 9)		2,637		3,581
Deferred inventory costs		397		205
Investment in Legend Oil and Gas (Note 11)		224		42
Prepaid expenses and other current assets		562		333
Total current assets		8,943		8,254
Property and Equipment, Net (Note 10)		1,454		1,529
Total Assets	$	10,397	$	9,783
Liabilities				
Current Liabilities				
Accounts payable	$	1,935	$	2,294
Secured subordinated convertible debenture (Note 12)		2,497		2,496
Accrued liabilities (Note 14)		2,932		2,954
Note payable (Note 12)		394		430
Deferred revenue		951		410
Provision for income tax		91		71
Total current liabilities		8,800		8,655
Total liabilities		8,800		8,655
Commitments and contingencies (Note 16)				
Shareholder's Equity				
Common shares – no par value (Note 17)		25,824		25,824
Contributed surplus		3,414		3,384
Accumulated deficit		(27,641)		(28,080)
Total shareholders' equity		1,597		1,128
Total Liabilities and Shareholders' Equity	$	10,397	$	9,783

See Going Concern Note 3

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Michael Pesner, Director

/s/ Mr. Sharad Mistry, Director

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(In thousands of U.S. dollars, except net loss per share)

For the three month periods ended March 31,		2015		2014
Revenues	$	4,632	$	1,175
Cost of revenues		3,295		589
Gross profit		1,337		586
Operating expenses (Note 19)				
Research and development		221		253
Selling, general and administrative		581		732
Total operating expenses		802		985
Income (loss) from operations		535		(399)
Interest expense (Note 12)		76		17
Income (loss) before Income Taxes		459		(416)
Provision for income tax		20		-
Net Income (Loss) and Total Comprehensive Income (Loss)	$	439	$	(416)
Net Income (Loss) per share, basic and diluted	$	0.005	$	(0.005)

See Going Concern Note 3
See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity

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

	Common Shares								
	Shares		Amount		Contributed Surplus		Accumulated Deficit		Total Shareholders' Equity
Consolidated Balances, December 31, 2014	96,614,024	$	25,824	$	3,384	$	(28,080)	$	1,128
Share-based compensation expense	-		-		30		-		30
Net income and comprehensive income	-		-		-		439		439
Consolidated Balances, March 31, 2015	96,614,024	**$**	25,824	**$**	**3,414**	**$**	**(27,641)**	**$**	**1,597**

See Going Concern Note 3

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

(In thousands of U.S. dollars)

For the three months ended March31		2015		2014
Operating Activities				
Net income (loss)	$	439	$	(416)
Adjustments for non-cash items:				
Depreciation and amortization		87		10
Share-based compensation		30		80
Change in fair value of Legend shares		(182)		-
Warrant expense		-		58
Foreign exchange		(37)		-
Changes in assets and liabilities:				
Accounts receivable		93		(533)
Inventories		944		(144)
Deferred inventory costs		(192)		(65)
Prepaid expenses and other current assets		(229)		(62)
Accounts payable		(359)		682
Provision for income taxes		20		
Accrued liabilities		(22)		(176)
Deferred revenue		542		103
Net Cash Generated (Used) in Operating Activities		1,134		(463)
Cash Flows from Investing Activities				
Additions to property and equipment		(11)		-
Net Cash Used in Investing Activities		(11)		-
Cash Flows from Financing Activities				
Proceeds from (repayments of) bridge loans		-		100
Issuance of common shares for cash		-		474
Proceeds from escrow receivable		-		500
Repayment of note payable to related party		-		(500)
Net Cash Provided by Financing Activities		-		574
Net Increase (Decrease) in Cash		1,123		111
Cash, beginning of period		645		15
Cash, at end of period	$	1,768	$	126

Supplemental Disclosure of Cash Flow Information:				
Interest paid	$	-	$	18

See Going Concern Note 3

See accompanying notes to consolidated financial statements.

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 6).

2. Basis of Preparation

Statement of Compliance and Authorization

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under IAS 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB). These unaudited condensed consolidated interim financial statements do not include all the information and notes required by IFRS for annual financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements and notes for the Company's year ended December 31, 2014, which are available on SEDAR at www.sedar.com.

These unaudited condensed consolidated financial statements have been authorized for issue by the Board of Directors on May 28, 2015.

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and include the financial statements of Wi2Wi Corporation and its wholly owned subsidiary, Wi2Wi Inc. All intercompany balances and transactions have been eliminated in consolidation.

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

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

3. Going Concern

The accompanying unaudited condensed 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 in the past experienced recurring losses and has a working capital of $143 at March 31, 2015 compared to a deficit of $401 at December 31, 2014. 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 matters raise substantial doubt about the ability of the company to continue in existence as a going concern.

The Company is involved in legal proceedings for which it has set up an accrual amounting to $ 1,309 (Note 14 and 15).

The Company also has a secured subordinated debenture due November 4, 2015, $2.5 million, $2.8 million including interest, and a note due December 31, 2015 for CAD$500 (Note 12). The Company will require to raise equity or refinance the debt to meet its commitments.

These unaudited condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets, the reported revenues and expenses, and the balance sheet classification used.

4. Significant Accounting Policies

Inventories

Inventories are recorded at the lower of average cost (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.

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 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 Unaudited Condensed 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 Unaudited Condensed 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 March 31, 2015 and 2014.

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 periods ended March 31, 2015 and 2014, 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 unaudited condensed 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.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2013, 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.

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.

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 entitle end 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

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

6. 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 12)		2,496
Interim funding		524
Total consideration		**3,528**
Gain from bargain purchase	$	**678**

7. 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.

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 4.

8. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company had a bad debt reserve of $120 as of March 31, 2015, and $118 as of December 31, 2014.

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

9. Inventories

Inventories consist of:

	March 31, 2015	December 31, 2014
Raw materials and work in progress (gross)	$ 1,862	$ 1,974
Inventory write-down	(28)	(28)
Raw materials and work in progress (net)	1,834	1,946
Finished goods (gross)	966	1,663
Inventory write-down	(163)	(28)
Finished goods (net)	803	1,635
Total	$ 2,637	$ 3,581

10. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2014	$ 1,748	$ 128	$ 87	$ 41	$ 2,004
Additions	6	5	-	-	11
At March 31, 2015	$ 1,754	$ 133	$ 87	$ 41	$ 2,015
Accumulated Depreciation					
Balance, December 31, 2014	$ 311	$ 87	$ 75	$ 2	$ 475
Additions	38	11	12	25	86
At March 31, 2015	$ 349	$ 98	$ 87	$ 27	$ 561
Net Book Value					
At December 31, 2014	$ 1,437	$ 41	$ 12	$ 39	$ 1,529
At March 31, 2015	$ 1,405	$ 35	$ -	$ 14	$ 1,454

11. Investment in Legend Oil and Gas

Legend Oil and Gas Ltd. (Legend) shares were included as part of the Reverse Takeover Over (‘RTO”) transaction that the Company completed on January 28, 2013 with International Sovereign Energy Corp (“ISE”). Legend shares are traded on the “Over the Counter Bulletin Board”, and which were registered under the US Securities Act effective March 17, 2012.

Under the terms of the RTO transaction 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 were for the benefit of the preference shareholders by way of dividend.

At the Company's Special and Annual General meeting on October 31, 2014, the preferred shareholders approved to bring forward the conversion date of the preferred shares to common shares to November 28, 2014. 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 and the investment recorded as an asset of the Company. At March 31, 2015 the Company held 22,350,247 shares of Legend of which 21,350,247 are restricted and the shares closed at $0.01 per share.

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

12. Debt

Note Payable – Norton Rose

As a condition of closing of the RTO transaction the Company converted CDN$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 March 31, 2015 is $394.

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.

13. Related Parties

On May 7, 2014 a director of the Company was appointed as the Interim Chief Financial Officer of the Company. He receives an honorarium of $15 per month commencing October 1, 2014.

The Company incurred expenses related to travel by directors and officers of $5 and $11 in the periods ending March 31, 2015 and 2014 respectively.

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

14. Accrued Liabilities

Accrued liabilities consist of:

December 31		March 31, 2015		December 31, 2014
Accrued compensation	**$**	321	$	498
Accrued interest		279		202
Accrual for legal proceedings (Note 15)		1,309		1,242
Accrual for legal and professional		200		226
Interim funding provided by Precision		524		524
Accrual for warrant liability		17		17
Accrual for conversion feature		30		30
Other accrued expenses		252		215
	$	2,932	$	2,954

15. 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.

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 $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 $850 at March 31, 2015 with respect to this matter, and $842 as at December 31, 2014 including interest. 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.

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

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.

On May 7, 2015 the Company received a complaint from Precision Devices Inc., (Note 6) to recover the amount under the Agreement with respect to reimbursement for the "Interim funding " provided for the period of the date of the Agreement October 2, 2014 and receiving approval for the transaction on November 4, 2015. The Company is disputing the amount claimed is currently in negotiations with Precision Devices Inc. The full amount of the claim has been provided for at March 31, 2015.

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.

16. 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.

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.

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**

17. Share Capital

The Company considers the items included in the unaudited condensed consolidated interim financial statements of changes in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There have been no changes in the Company’s definition of capital or capital management objectives during the periods ended March 31, 2015, and 2014.

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.

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 and the remaining $428 was allocated to the common stock.

18. Share-Based Payments and Warrants

Stock Option Plan

At March 31, 2015 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.

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

On January 31, 2015 the Company granted 129,000 options at CDN$0.17 per option, to employees of the Company

The following table summarizes the stock option activity as of March 31, 2015:

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2014	12,777,587	$ 0.20
Options granted	129,000	0.13
Options outstanding at March 31, 2015	12,907,087	$ 0.20

The following table summarizes stock options outstanding and exercisable as of March 31, 2015:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
$ 0.134[1]	6,575,000	7.0	-
0.154 [2]	3,923,162	5.2	2,867,002
0.228	838,347	3.3	838,347
0.342	789,033	4.7	789,033
0.456	652,045	6.66	583,640
0.134[1]	129,500	7.0	-
	12,907,087		5,078,022

1. These stock options were issued in CDN$0.17 converted to US$ at the March 31, 2015 exchange rate.
2. These stock options were issued in CDN$0.195 converted to US$ at the March 31, 2015 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.

	2015	2014
Expected life range	2.87-7.42 years	2.87-7.42 years
Risk-free interest rate	0.36-1.09%	0.36-1.09%
Volatility range	44% - 52%	44% - 52%
Dividend yield	-	-

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

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

Three months March 31,	2015	2014
Research and development	$ 2	$ 3
Selling, general and administrative	28	77
	$ 30	$ 80

Warrants

The following table summarizes the warrants issued by the Company as of March 31, 2015:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at March 31, 2015 and December 31, 2014	**3,935,234**	**$ 0.35**

Some of the warrants have been issued in Canadian currency. These have been converted to United States dollar as at March 31, 2015.

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:

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

Summarized information about warrants as of March 31, 2015 is as follows:

Exercise Prices	**Warrants Outstanding**	**Weighted Average Remaining Contractual Life**	**Warrants Exercisable**
0.20[2]	1,087,500	0.87	1,087,500
0.20[2]	393,226	3.85	393,226
0.34	153,422	1.98	153,422
0.35[1]	1,000,000	1.18	1,000,000
0.35	260,000	1.49	260,000
0.46	164,382	2.85	164,382
0.57	876,704	0.83	876,704
	3,935,234	1.74	3,935,234

1. The exercise price of these warrants is CDN$0.45, which is converted to US$ at the March 31, 2015 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 March 31, 2015 exchange rate for presentation in this table.

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

Per Share Calculation

The basic and diluted loss per share has been calculated based on 96,614,024 and 82,869,098 weighted average number of common shares outstanding as of March 31, 2015 and 2014, respectively.

19. Expenses by Nature

Three months March 31,		2015		2014
Compensation	$	486	$	743
Depreciation and amortization		11		10
Facility related expenses		38		32
Professional and consulting services		176		105
Other costs		91		95
	$	802	$	985

20. Business Risks and Concentrations

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

Liquidity Risk

The Company has a liquidity risk as it has in the past experienced recurring losses and had working capital at March 31, 2015 of $143, and working capital deficit of $401 at December 31, 2014. These matters, among others, raise substantial doubt about the ability of the Company to continue in existence as a going concern. See Note 3 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of March 31, 2015 and December 31, 2014 as follows:

	March 31, 2014		December 31, 2013	
Customer	Revenue %	AR %	Revenue %	AR %
A	22%	28%	27%	45%
B	16%	12%	3%	14%
C	9%	6%	7%	16%
D	10%	2%	13%	20%

The Company has $352, and $217 in outstanding receivables over 90 days at March 31, 2015 and December 31, 2014, respectively.

21. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at March 31, 2015 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.