Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in US Dollars)

Three Month Period Ended March 31, 2017 and March 31, 2016

Notice to Reader

These condensed consolidated interim financial statements of Wi2Wi Corporation for the three months ended March 31, 2017 have been prepared by Management and were authorized for issue in accordance with a resolution of the Board of directors on May 9, 2017. Wi2Wi Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements, in accordance with the standards established by the Chartered Professional Accounts of Canada for a review of interim financial statements by an entities auditors.

Toronto, Canada
May 10, 2017

Wi2Wi Corporation

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

		March 31, 2017		December 31, 2016
Assets				
Current Assets				
Cash	$	892	$	563
Restricted cash		500		500
Trade accounts receivable (Note 7)		1,346		1,754
Inventories (Note 8)		3,080		3,049
Deferred inventory costs		36		56
Investment in Legend Oil and Gas		17		32
Prepaid expenses and other current assets		324		254
Total current assets		6,195		6,208
Property and Equipment, Net (Note 9)		1,374		1,412
Total Assets	$	7,569	$	7,620
Liabilities				
Current Liabilities				
Accounts payable	$	796	$	801
Accrued liabilities (Notes 12 and 13)		1,011		1,047
Deferred revenue		99		125
Total current liabilities		1,906		1,973
Total Liabilities		1,906		1,973
Commitments and Contingencies (Note 14)				
Shareholder's Equity				
Common shares – no par value (Note 15)		28,317		28,317
Contributed surplus		3,797		3,783
Accumulated deficit		(26,451)		(26,453)
Total shareholders' equity		5,663		5,647
Total Liabilities and Shareholders' Equity	$	7,569	$	7,620

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Zachariah Mathews, CEO and Director

/s/ Dawn Leeder, CFO

Wi2Wi Corporation

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

Three Months ended March 31,		2017		2016
Revenues	$	2,354	$	2,357
Cost of revenues		1,671		1,720
Gross profit		683		637
Operating expenses (Note 17)				
Research and development		259		319
Selling, general and administrative		405		544
Changes in fair value of investment in Legend Oil and Gas		14		50
Total operating expenses		678		913
Income (loss) from operations		5		(276)
Other Income		(3)		-
Gain on conversion of Debt		-		-
Interest expense		-		-
Income before income taxes		2		(276)
Provision for (benefit from) income tax		-		-
Net Income and comprehensive income	$	2	$	(276)
Net Income per share, basic and diluted (Note 15)	$	0.00001	$	(0.002)

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of U.S. dollars, except per share data)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Consolidated Balances, January 1, 2015	**96,614,024**	**$ 25,824**	**$ 3,384**	**$ (28,080)**	**$ 1,128**
Conversion of secured subordinated debt to common shares (Note 10, 15)	30,570,082	2,093	-	-	2,093
Conversion of notes to common shares (Note 10, 15)	4,509,639	309	-	-	309
Issuance of common shares in settlement for claim (Note 15)	1,000,000	68	-	-	68
Conversion of liabilities to common shares (Note 15)	334,000	23	-	-	23
Share-based compensation expense	-	-	295	-	295
Net income and comprehensive income	-	-	-	1,620	1,620
Consolidated Balances, December 31, 2015	**133,027,744**	**$ 28,317**	**$ 3,679**	**$ (26,460)**	**$ 5,536**
Share-based compensation expense	-	-	104	-	104
Net income and comprehensive income	-	-	-	7	7
Consolidated Balances, December 31, 2016	**133,027,744**	**$ 28,317**	**$ 3,783**	**$ (26,453)**	**$ 5,647**
Share-based compensation expense	-	-	14	-	14
Net income and comprehensive income	-	-	-	2	2
Consolidated Balances, March 31, 2017	**133,027,744**	**$ 28,317**	**$ 3,797**	**$ (26,451)**	**$ 5,663**

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

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

Three Months ended March 31,	**2017**	**2016**
Cash Flows from Operating Activities		
Net income	$ 2	$ (276)
Adjustments for non-cash items:		
Depreciation and amortization	54	49
Share-based compensation	14	47
Forgiveness of creditor payables	-	-
Changes in fair value of investment in Legend Oil and Gas	15	50
Foreign exchange	-	-
Changes in assets and liabilities:		
Trade accounts receivable	408	421
Inventories	(31)	(44)
Deferred inventory costs	20	32
Prepaid expenses and other current assets	(70)	(74)
Accounts payable	(5)	(167)
Accrued liabilities	(36)	(6)
Income taxes	-	-
Deferred revenue	(26)	(64)
Net Cash Provided by (Used in) Operating Activities	345	(32)
Cash Flows from Investing Activities		
Additions to property and equipment	(16)	(20)
Net Cash Used in Investing Activities	(16)	(20)
Cash Flows from Financing Activities		
Collateral for line of credit	-	-
Net Cash Used in Financing Activities	-	-
Net Increase (Decrease) in Cash	329	(52)
Cash, beginning of period	1,063	953
Cash, at end of period	$ 1,392	$ 901

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.

Wi2Wi is a vertically integrated manufacturer providing wireless connectivity solutions, precision timing devices, frequency control products and microwave filters to the global market addressing various applications in the market segments; Internet of Things (IoT), Industrial Internet of Things (IoT/M2M/Industry 4.0), Avionics, Space, Military and Industrial.

On February 4, 2016, Wi2Wi LLC was organized in the State of Wisconsin, a wholly owned subsidiary of Wi2Wi Inc. to conduct all or a portion of the Company's business in the State of Wisconsin. The Wi2Wi Middleton business will operate under the Wi2Wi LLC structure.

On June 3, 2016, WI2WI (India) PRIVATE LIMITED was incorporated in India, as a wholly owned subsidiary of Wi2Wi, Inc. This is an engineering office for the wireless connectivity products which will work on developing new products.

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, 2016, which are available on SEDAR at www.sedar.com.

The unaudited condensed consolidated interim financial statements include the financial statements of Wi2Wi Corporation and its wholly owned subsidiaries, Wi2Wi Inc., Wi2Wi LLC and Wi2Wi (India) PRIVATE LIMITED. All intercompany balances and transactions have been eliminated on consolidation.

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements of Wi2Wi Corporation for the three months ended March 31, 2017 have been prepared by Management and were authorized for issue in accordance with a resolution of the Board of directors on May 9, 2017. Wi2Wi Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements, in accordance with the standards established by the Chartered Professional Accounts of Canada for a review of interim financial statements by an entities auditors.

Comparatives

Comparative figures for Investment in Legend Oil and Gas, $17, has been reclassified out of prepaid expenses and other current assets, to conform to the consolidated financial statement presentation for the current year.

3. Financial Condition

Although the Company has in the past experienced recurring losses, had negative working capital positions, debt obligations and difficulty raising funds, it has made significant improvements in those areas since November 2014 and remains debt free as of March 31, 2017.

In April 04, 2017, the Company completed an equity financing for CAD$700, which is approximately $521. See discussion of the private placement in section financing activities at Note 15.

4. Significant Accounting Policies

Restricted Cash

As part of the collateral for a line of credit discussed in Note 20, the Company was required to deposit $500 in a restricted account with the bank to repay any borrowings under the Facility. The cash collateral will be returned to the Company once certain financial covenants are met for the $2 million revolving facility, or when the facility terminates in May 2017. (Note 20)

Trade Accounts Receivable

Management estimates a provision for impairment for collectability related to its trade accounts receivable balances. This provision is based on the customer relationships, the aging and turns of trade accounts receivable, credit worthiness of customers, credit concentrations and payment history. Management's estimates include providing for 100% of specific customer balances when it is deemed probable that the balance is uncollectable. Credit terms to customers vary between net 30 days and net 120 days. Although management monitors collections and credit worthiness, the inability of a particular customer to pay its debts could impact collectability of receivables and could have an impact on future revenues if the customer is unable to arrange other financing. Management does not believe these conditions are reasonably likely to have a material impact on the collectability of its receivables or future revenues. Recoveries of accounts receivables previously written off are recorded when received. Accounts receivable are stated net of the provision for impairment.

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. 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 certain 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 term of lease or estimated useful life of leasehold improvement, whichever is shorter

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. If the carrying amount exceeds the recoverable amount, the difference is recognized as an 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
Restricted cash	Loans and receivables	Fair value
Trade accounts receivable	Loans and receivables	Amortized cost
Investment in Legend Oil and Gas	FVTPL	Fair Value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

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 consolidated statements of income and comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Financial instruments classified as FVTPL are measured at fair value on initial recognition and are subject to re-measurement at each balance sheet date with any changes in fair value being recognized in the consolidated statements of income and comprehensive income.

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 enacted or substantively enacted 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

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 transactions in 2016 in the WI2WI (India) PRIVATE LIMITED subsidiary.

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the three months ended March 31, 2017 and 2016.

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.

For certain distributors the Company does not recognize revenues until the distributors have sold the product to a third party, and the right of return or price protection has lapsed. Product shipped to these distributors, which has not yet sold through to a third party, is reported as deferred revenue, with the associated cost reported as deferred inventory costs, on the consolidated statements of financial position.

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 months ended March 31, 2017 and 2016, 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 statements of Income and Comprehensive Income with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to contributed surplus are allocated to share capital. Where equity instruments are granted to persons other than employees, the consolidated statement of Income and Comprehensive Income 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.

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. There was no accrual warranty costs at March 31, 2017 or 2016.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2016, have had or expected to have 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.

New standards and interpretations not yet adopted:

In 2014, the IASB issued IFRS 15"Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled 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, 2018, with early adoption permitted. The Company is currently assessing the impact of this new standard.

In 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 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows ("IAS 7"). The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The adoption of IAS 7 amendments will require additional disclosure in the Company's consolidated financial statements.

In 2016, the IASB issued IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22"), which provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. On initial application, entities have the option to apply either retrospectively or prospectively. The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

In 2016, the IASB issued the final amendments to IFRS 2, Share-based Payments ("IFRS 2") that clarify the classification and measurement of share-based transactions, consisting of: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. The Company is in the process of evaluating the impact of adopting these amendments on the consolidated financial statements.

6. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be 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.

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

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.

Income Taxes

The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

7. Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest.

		March 31, 2017		December 31, 2016
Trade accounts receivable	**$**	1,402	$	1,810
Less provision for impairment of trade receivables		(56)		(56)
Trade receivables - net	**$**	1,346	$	1,754

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

8. Inventories

Inventories consist of:

	March 31, 2017	December 31, 2016
Raw materials (gross)	$ 1,858	$ 1,904
Inventory write-down	(336)	(336)
Raw materials (net)	1,522	1,568
WIP Inventory	199	214
Finished goods (gross)	1,589	1,497
Inventory write-down	(230)	(230)
Finished goods (net)	1,359	1,267
Total	$ 3,080	$ 3,049

9. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2016	$ 2,010	$ 184	$ 89	$ 55	$ 2,338
Additions	6	10	0	0	16
At March 31, 2017	$ 2,010	$ 194	$ 89	$ 55	$ 2,354
Accumulated Depreciation					
Balance, December 31, 2016	$ 690	$ 133	$ 80	$ 23	$ 926
Additions	46	4	1	3	54
At March 31, 2017	690	137	80	26	980
Net Book Value					
At December 31, 2016	$ 1,320	$ 51	$ 9	$ 32	$ 1,412
At March 31, 2017	$ 1,280	$ 57	$ 8	$ 29	$ 1,374

10. Debt

Note Payable

The Company had a CAD$500 unsecured promissory note with Norton Rose Fulbright Canada LLP, a creditor of the Company, at a 10% annual interest rate and December 31, 2015 maturity date. The Company, on September 30, 2015, concluded a settlement agreement whereby the unsecured promissory note and accrued interest, along with certain other amounts owed to the creditor, were exchanged for shares at a deemed price of CAD$0.1275 per share. The total principal and interest converted to common shares was $534. 4,509,639 shares were issued on October 28, 2015 in settlement of these liabilities (Note 15). The fair market value of the settlement as measured on the date the shares were issued was $309, resulting in a gain on settlement of $225. The balance of the other amounts owed to the creditor under the settlement agreement were paid in full in 2016. Part of the settlement agreement included a provision that the final CAD$75 owed to the creditor would be waived when all other payments had been made in full. On June 27, 2016 the debt was paid in full. The final CAD$99 ($75) was waived by the creditor in 2016 and recorded as other income in 2016.

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

11. Related Parties

At December 31, 2015 the Company had payables of $158 to Norton Rose Fulbright Canada. On June 27, 2016 the debt was paid in full.

In April 2017, the Company has raised CAD$700 through a Private Placement. The majority of the funding was from the board of directors and from the current investors.

12. Accrued Liabilities

Accrued liabilities consist of:

	March 31, 2017	December 31, 2016
Accrued compensation	$ 188	$ 204
Accrual for legal proceedings (Note 13)	781	781
Accrual for legal and professional fees	-	-
Other accrued expenses	42	62
	$ 1,011	$ 1,047

13. 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 Quebec Superior Court of Justice rendered judgment on January 28, 2014 whereby two former directors were found liable and ordered to pay $648 plus interest and additional indemnity as of July 6, 2010, totaling $781. The claim against the other two former directors was dismissed. On August 19, 2015, the Quebec Court of Appeal dismissed an appeal to overturn the Quebec Superior Court order and dismiss the claim as a whole. A former director then sought leave to appeal to the Supreme Court of Canada with such leave granted on April 7, 2016. The Company is not aware as to when the Supreme Court of Canada will hear such appeal and render a final decision.

The Directors and Officers insurer ("D&O") has taken the position that this matter falls under an exclusion of the otherwise applicable D&O policy. The Company has also received legal advice to the effect that, in certain circumstances, it may not have an obligation to indemnify the former directors. The Company is in the process of evaluating its options and has reserved $781 as at December 31, 2016 and 2015 in connection with this matter.
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.

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

14. Commitments and Contingencies

Leases

San Jose, CA
The Company leases its offices in San Jose and is required to pay its pro-rata share of all executory costs such as building maintenance and insurance. On August 5, 2015, the Company entered a new lease for reduced space, and new monthly lease payments beginning at that time were reduced from $12 to $4. The lease will expire on July 31, 2017.

Middleton, WI
The Company leases the 38,000 square foot Middleton facility from PDI Properties, LLC. In May 2015, an automatic 5 year extension of the lease took effect, and the lease now expires in May 2020. 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 July 31, 2017, for San Jose location, and May 15, 2020 for Middleton location are as follows:

Year	Amount
2017	372
2018	508
2019	523
2020	176
Total	**$1,579**

Operating Leases

From time to time, the Company enters into operating leases for equipment. The lease terms range from 24 to 36 months, at the end of which the Company can purchase the equipment at fair market value to be determined at that time, return the equipment, or extend the lease for a further term based on the fair market value at the maturity date.

The future minimum lease payments as of March 31, 2017 under the non-cancellable operating leases, are as follows:

Year	Amount
2017	$ 71
2018	94
2019	71
Total	**$ 236**

15. Share Capital

The Company considers the items included in the consolidated statements of changes in shareholders' 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 three months ended March 31, 2017, and 2016.

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.

Per Share Calculation

The basic and diluted income per share has been calculated based on 133,027,744 weighted average number of common shares outstanding for the period ended March 31, 2017 and 2016.

Financing Activities

On April 4, 2017, the Company announced a non-brokered private placement for proceeds of CAD$700, which is approximately USD$521. The Company has not paid any finder's fees or commissions in connection with the offering. The capital raised will be used to develop new products from its Wireless Connectivity and Frequency Control Device product lines to address the Internet of Things (IoT), Industrial Internet of Things (IIoT/M2M), Avionics, Space and Military markets.

The Company issued 12,499,674 units ("Units") at a price of CAD$0.056 per Unit (the "Purchase Price"). Each Unit consists of one common share of the Company ("Common Shares") and one common share purchase warrant (a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one Common Share at an exercise price of CAD$0.11 per share for a period of five years following the issuance date, so through April 2022. The Unit price was arrived at by using the maximum allowable discount of 25% on the closing price on the Company's common stock as of February 16, 2017, which was CAD$0.075.

The CAD$700 is being held in escrow. The majority of the funding was from the board of directors and the current investors. The share and warrant certificates are being distributed to the participants and the Company expects to complete the private placement, and have the CAD$700 released from escrow to the Company.

16. Share-Based Payments and Warrants

Stock Option Plan

At March 31, 2017, the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan).

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

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, directors, officers and certain consultants have an expiration date that is up to 10 years from the grant date, generally vest over periods of up to 48 months as determined by the Board of Directors.

The following table summarizes the stock option:

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2015	12,405,643	$ 0.20
Options forfeited or expired[1]	(4,008,201)	0.22
Options granted[2]	200,000	0.12
Options outstanding at December 31, 2016	8,597,442	$ 0.14
Options forfeited or expired[3]	-	.00
Options granted[4]	-	.00
Options outstanding at March 31, 2017	8,597,442	$ 0.14

1. Certain of these stock options, issued in Canadian dollars, were converted to US$ at the December 31, 2016 exchange rate.
2. These stock options were issued at CAD$0.17 converted to US$ at the December 31, 2016 exchange rate for disclosure purposes.
3. Certain of these stock options, issued in Canadian dollars, were converted to US$ at the March 31, 2017 exchange rate.
4. These stock options were issued in CDN$0.17 converted to US$ at the March 31, 2017 exchange rate of 1.33283.

The following table summarizes stock options outstanding and exercisable as of March 31, 2017:

Exercise Prices	**Options Outstanding**	**Weighted Average Remaining Contractual Life**	**Options Exercisable**
$			
0.13[1]	6,814,500	5.04	4,348,741
0.14 [2]	1,415,824	3.22	1,381,488
0.46	27,396	4.48	27,396
0.34	219,176	2.59	219,176
0.23	120,546	1.34	120,546
			-
	8,597,442	4.63	6,097,347

1. These stock options have an exercise price of CAD$0.17 and have been converted to US$ at the March 31, 2017 exchange rate of 1.33283 for disclosure purposes here.
2. These stock options have an exercise price of CAD$0.195 and have been converted to US$ at the March 31, 2017 exchange rate of 1.33283 for disclosure purposes here.

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

The value of the Company's stock options granted under its stock option plan at the date of grant using the Black-Scholes option pricing model with the following assumptions:

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

	2017	2016
Expected life range	4.5 years	4.5 years
Risk-free interest rate	0.50%	0.50%
Volatility range	75%	75%
Dividend yield	-	

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

March 31,	2017	2016
Research and development	$ -	$ 7
Selling, general and administrative	14	40
	$ 14	$ 47

Warrants

The following table summarizes the warrants issued by the Company as of March 31, 2017:

	Warrants	**Weighted Average Exercise Price**
Warrants outstanding at December 31, 2015	2,935,234	$ 0.34
Warrants expired[1]	(2,617,430)	0.38
Warrants outstanding at December 31, 2016	317,804	0.43
Warrants expired[2]	(153,422)	0.38
Warrants outstanding at March 31, 2017	**164,382**	**$ 0.46**

1. The exercise price of these warrants is CAD$0.25, which is converted to US$ at the December 31, 2016 exchange rate for presentation in this table.
2. The exercise price of these warrants is USD$0.34 and USD $0.46.

At March 31, 2017 the Company had no warrants accounted for as liabilities. At December 31, 2015 the Company had 1,740,726 warrants accounted for as liabilities. 1,480,726 of those warrants were issued in connection with a 2014 private placement. See Note 15 for further discussion. 260,000 of those warrants were issued in 2013. The exercise price of these warrants is denominated in Canadian currency and since that is different than the Company's functional currency, the warrants are liabilities. At December 31, 2015, the liability is was nominal. These warrants expired unexercised in 2016.

The remaining outstanding warrants are accounted for as equity instruments. 876,704 expired unexercised in 2016, 153,422 expired unexercised in 2017 and the remaining 164,382 expire February 2018.

Summarized information about warrants as of March 31, 2017 is as follows:

Exercise Prices	**Warrants Outstanding**	**Weighted Average Remaining Contractual Life**	**Warrants Exercisable**
$ 0.46	164,382	0.85	164,382
	164,382	0.85	164,382

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

17. Expenses by Nature

For the three months ended March 31,	2017	2016
Research and Development		
Compensation	$ 233	$ 291
Other costs	26	28
Total research and development	**$ 259**	**$ 319**
Selling, General and Administrative Expenses		
Compensation	$ 217	$ 304
Depreciation and amortization	11	10
Facility related expenses	59	40
Professional and consulting services	25	82
Other costs	93	108
Total selling, general and administrative	**$ 405**	**$ 544**

18. 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

Although the Company has in the past experienced recurring losses, had negative working capital positions, debt obligations and difficulty raising funds, it has made significant improvements in those areas since November 2014 and is debt free as of March 31, 2017

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In April 04, 2017, the Company completed an equity financing for CAD$700, which is approximately $521. See discussion of the financing activities at Note 15.

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Credit Risk

The Company had significant exposure to several customers as of March 31, 2017 and December 31, 2016 as follows:

	March 31, 2017		December 31, 2016	
Customer	Revenue %	AR %	Revenue %	AR %
A	19%	9%	8%	13%
B	9%	4%	6%	6%
C	9%	19%	15%	18%

The Company has $183 and $105 in outstanding receivables over 90 days at March 31, 2017 and December 31, 2016, respectively.

19. Fair Value of Financial Assets and Liabilities

The Company's financial instruments at March 31, 2017 include cash, accounts receivable, and accounts payable. The carrying values of these financial instruments approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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 Company holds shares in Legend Oil and Gas Limited. The fair value of these shares held by the Company are valued at market quoted prices of $25 and $20 at March 31, 2017 and 2016, respectively.

20. Line of Credit

On March 18, 2016 the Company entered into a new $ 2 million revolving credit facility ("Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the agreement, the Company is required to deposit $500 with the bank to serve as collateral for the Facility, and that $500 is presented as restricted cash on the consolidated statement of financial position. Borrowings up to $500 are available until the Company meets two financial covenants (defined below), fully collateralized by the deposit. Once the financial covenants are met, the collateral of $500 will be returned to the Company. From that point, borrowings are limited based on a percentage of trade accounts receivable and inventories. The financial covenants were not met at the end of any quarter of 2016 and it is unknown if the Facility will be available for any portion of 2017.

The interest on the Facility is LIBOR plus 3%, with an annual standby charge of 0.25%, charged quarterly. The Company has granted a security interest to Wells Fargo in all the property of the Company. Interest only payments are due monthly with the principal due at maturity, which will be May 31, 2017. There have been no borrowings as of March 31, 2017.

Financial covenants:

(a) Balance sheet leverage of less than or equal to 3, defined as total liabilities divided by tangible net worth tested on a quarterly basis.
(b) Minimum net income greater than one dollar, tested on a quarterly basis on a rolling twelve month basis.