

Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements (Unaudited, expressed in US Dollars)

Three Months Ended March 31, 2016, and March 31, 2015

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 27, 2016

Wi2Wi Corporation

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

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash	\$ 901	\$ 953
Trade accounts receivable (Note 5)	1,458	1,879
Inventories (Note 6)	3,055	3,011
Deferred inventory costs	43	75
Prepaid expenses and other current assets	295	270
Total current assets	5,752	6,188
Property and Equipment, Net (Note 7)	1,495	1,524
Total Assets	\$ 7,247	\$ 7,712
Liabilities		
Current Liabilities		
Accounts payable	\$ 770	\$ 936
Accrued liabilities (Note 8)	1,064	1,070
Deferred revenue	106	170
Total current liabilities	1,940	2,176
Total liabilities	1,940	2,176
Shareholder's Equity		
Common shares – no par value (Note 11)	28,317	28,317
Contributed surplus	3,726	3,679
Accumulated deficit	(26,736)	(26,460)
Total shareholders' equity	5,307	5,536
Total Liabilities and Shareholders' Equity	\$ 7,247	\$ 7,712

See accompanying notes to condensed consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Michael Pesner, Director

/s/ Mr. Zachariah Mathews, 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)

<i>For the three month periods ended March 31,</i>	2016	2015
Revenues	\$ 2,357	\$ 4,632
Cost of revenues	1,720	3,295
Gross profit	637	1,337
Operating expenses (Note 14)		
Research and development	319	221
Selling, general and administrative	594	581
Total operating expenses	913	802
Income (loss) from operations	(276)	535
Interest expense	-	76
Income (loss) before income taxes	(276)	459
Provision for income tax	-	20
Net Income (loss) and total comprehensive income (loss)	\$ (276)	\$ 439
Net Income (loss) per share, basic and diluted (Note 13)	\$ (0.00)	\$ 0.01

See accompanying notes to condensed consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity

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

	Common Shares				Total Shareholders' Equity	
	Shares	Amount	Contributed Surplus	Accumulated Deficit		
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
Consolidated Balances, December 31, 2015	133,027,744	\$ 28,317	\$ 3,679	\$ (26,460)	\$	5,536
Share-based compensation expense	-	-	47	-		47
Net loss and comprehensive loss	-	-	-	(276)		(276)
Consolidated Balances, March 31, 2016	133,027,744	\$ 28,317	\$ 3,726	\$ (26,736)	\$	5,307

See accompanying notes to condensed consolidated financial statements.

Wi2Wi Corporation

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

For the three months ended March31	2016	2015
Operating Activities		
Net income (loss)	\$ (276)	\$ 439
Adjustments for non-cash items:		
Depreciation and amortization	49	87
Share-based compensation	47	30
Change in value of securities	50	(182)
Foreign exchange	-	(37)
Changes in assets and liabilities:		
Accounts receivable	421	93
Inventories	(44)	944
Deferred inventory costs	32	(192)
Prepaid expenses and other current assets	(74)	(229)
Accounts payable	(167)	(359)
Provision for income taxes	-	20
Accrued liabilities	(6)	(22)
Deferred revenue	(64)	542
Net cash generated (used) in operating activities	(32)	1,134
Cash flows from investing activities		
Additions to property and equipment	(20)	(11)
Net cash used in investing activities	(20)	(11)
Net increase (decrease) in cash	(52)	1,123
Cash, beginning of period	953	645
Cash, at end of period	\$ 901	\$ 1,768

See accompanying notes to condensed consolidated financial statements.

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

1. Nature and Description of the Company

Sargeant Bay Capital, Inc., a Canadian entity, was incorporated pursuant to the Canadian Business Corporations Act on July 9, 2004. On December 12, 2005, Sargeant Bay Capital, Inc. changed its name to Wi2Wi Corporation and became the legal parent of its wholly owned operating subsidiary, Wi2Wi Inc., a Delaware company, headquartered in San Jose, California, which 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.

Wi2Wi Corporation, and Wi2Wi Inc., together constitute the Company. The Company designs, manufactures and markets system in package and modular products for wireless applications worldwide.

The Company on January 28, 2013 concluded a reverse takeover of International Sovereign Energy Corp. and acquired all of the issued and outstanding shares of the Company by way of a plan of arrangement under the Canada Business Corporations Act. The surviving entity changed its name to Wi2Wi Corporation.

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.

On February 4, 2016 Wi2Wi LLC was incorporated 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.

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, 2015, which are available on SEDAR at www.sedar.com.

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

These unaudited condensed consolidated financial statements have been authorized for issue by the Board of Directors on May 27, 2016.

3. Significant Accounting Policies

The preparation of these unaudited condensed consolidated interim financial statements in compliance with IAS 34 required the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4. The Company applies the same accounting policies and methods of computation in its unaudited interim consolidated financial statements as in its audited annual consolidated financial statements for the year ending December 31, 2015. None of the new standards, interpretations and amendments, effective for the first time from January 1, 2016, have had a material effect on the financial statements.

4. Critical Accounting Estimates and Judgments

There have been no material revisions to the nature and amount of changes in estimates of amounts of reported in these unaudited condensed consolidated financial statements.

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

5. Trade Accounts Receivable

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

	March 31, 2016	December 31, 2015
Trade accounts receivable	\$ 1,580	\$ 2,009
Less provision for impairment of trade receivables	(122)	(130)
Trade receivables - net	\$ 1,458	\$ 1,879

6. Inventories

Inventories consist of:

	March 31, 2016	December 31, 2015
Raw materials and work in progress (gross)	\$ 2,031	\$ 2,124
Inventory write-down	(29)	(29)
Raw materials and work in progress (net)	2,002	2,095
Finished goods (gross)	1,366	1,228
Inventory write-down	(313)	(312)
Finished goods (net)	1,053	916
Total	\$ 3,055	\$ 3,011

7. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2015	\$ 1,933	\$ 167	\$ 88	\$ 50	\$ 2,238
Additions	11	9	-	-	20
At March 31, 2016	\$ 1,944	176	\$ 86	50	\$ 2,258
Accumulated Depreciation					
Balance, December 31, 2015	\$ 512	\$ 113	\$ 78	\$ 11	\$ 714
Additions	41	4	1	3	49
At March 31, 2016	\$ 553	\$ 117	\$ 79	\$ 14	\$ 763
Net Book Value					
At December 31, 2015	\$ 1,421	\$ 54	\$ 10	\$ 39	\$ 1,524
At March 31, 2016	\$ 1,391	\$ 59	\$ 9	\$ 36	\$ 1,495

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

8. Accrued Liabilities

Accrued liabilities consist of:

	March 31, 2016	December 31, 2015
Accrual for legal proceedings and indemnifications (Note 9)	\$ 781	\$ 781
Accrued compensation	155	230
Accrual for legal and professional	-	26
Other accrued expenses	128	33
	\$ 1,064	\$ 1,070

9. Legal Proceedings

Accrual for Legal Proceedings

A former Company executive had asserted a claim against four former directors of the Company for damages incurred as a result of the claimed lost value of Plaintiff's investment. The Plaintiff obtained a judgement from the Quebec Superior Court of Justice against two of the directors, one of which has sought leave to appeal to the Supreme Court of Canada. The leave to appeal was 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 two former directors. The Company is in the process of evaluating its options and has reserved \$781 as at March 31, 2016 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.

10. Line of Credit

The Company had entered into a new \$2 million revolving credit facility ("Facility") with Wells Fargo Bank, National Association ("Wells Fargo"), to be supported by cash collateral of \$500. Wells Fargo is in the process of completing its review, and the Facility will become available subject to a satisfactory conclusion of the review. The \$2 million facility will be available when the Company achieves profitability based on rolling four quarters at which time the collateral of \$500 will be released. At this time it is unknown if the Facility will be available for the 2016 fiscal year.

The interest on the Facility will be LIBOR plus 3%, and has 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.

11. Share Capital

	Number of Shares	Amount \$
Balance at March 31, 2016 and December 31, 2015	133,027,744	28,317

Wi2Wi Corporation

Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

12. Share-Based Payments and Warrants

Stock Option Plan

At March 31, 2016 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, 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 activity:

	March 31, 2016	March 31, 2015
Options outstanding at beginning of the period	12,405,643	12,777,587
Options forfeited or expired	(1,462,258)	-
Options granted	-	129,000
Options outstanding	10,943,385	12,907,087

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:

	March 31, 2016	March 31, 2015
Expected life range	N/A	2.87-7.42 years
Risk-free interest rate	N/A	0.36-1.09%
Volatility range	N/A	44% - 52%
Dividend yield	-	-

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

	March 31, 2016	March 31, 2015
Research and development	\$ 7	\$ 2
Selling, general and administrative	40	28
	\$ 47	\$ 30

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Warrants

The following table summarizes the warrants issued by the Company as of March 31, 2016:

	March 31, 2016	March 31, 2015
Warrants outstanding at beginning of the period	2,935,234	3,935,234
Warrants expired	(2,357,430)	-
Warrants outstanding	577,804	3,935,234

13. Per Share Calculation

The basic and diluted loss per share has been calculated based on 133,027,744 and 96,614,024 weighted average number of common shares outstanding as of March 31, 2016 and 2015, respectively.

14. Expenses by Nature

For the three months ended March 31,	2016	2015
Research and development		
Compensation research and development	\$ 291	\$ 213
Other costs	28	8
Total research and development	<u>319</u>	<u>221</u>
Selling, general and administrative		
Compensation	304	421
Depreciation and amortization	10	19
Facility related expenses	40	38
Professional and consulting services	82	129
Change in value of securities	50	(182)
Other costs	108	156
Total selling, general and administrative	<u>594</u>	<u>581</u>
	<u>\$ 913</u>	<u>\$ 802</u>

15. Business Risks and Concentrations

Liquidity Risk 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 is the risk that the Company will not be able to meet its financial obligations as they become due. For the periods ended March 31, 2016, and March 31, 2015, the Company had loss from operations of \$276 compared to income from operations of \$439 respectively. For the periods ended March 31, 2016, the Company used cash for operating activities of \$32, compared to generating cash of \$1,134 from operating activities for the same period in 2015. The Company had working capital of \$3,812 and \$4,012 as of March 31, 2016 and December 31, 2015 respectively. During 2015 the Company converted \$3,760 of its liabilities to equity. Liabilities as of March 31, 2016 consists of trade payables and accruals.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Credit Risk

The Company had significant exposure to several customers as of March 31, 2016 and December 31, 2015 as follows:

Customer	March 31, 2016		December 31, 2015	
	Revenue %	AR %	Revenue %	AR %
A	24%	30%	16%	30%
B	7%	3%	10%	3%
C	7%	5%	6%	5%
D	14%	3%	5%	3%

The Company has \$322 and \$280 in outstanding receivables over 90 days at March 31, 2016 and December 31, 2015, respectively. The Company has a provision for impairment of trade receivables of \$122 at March 31, 2016, and \$130 at December 31, 2015.

Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at March 31, 2016 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.

Included in prepaid and other current assets are shares held in Legend Oil and Gas Limited. The fair value of these shares held by the Company, valued at market quoted prices at March 31, 2016, \$20 and at December 31, 2015, \$64.