Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in US Dollars)

Three and Six Month Periods Ended June 30, 2016, and June 30, 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
August 25, 2016

Wi2Wi Corporation

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Condensed Consolidated Interim Financial Statements (Unaudited)

Wi2Wi Corporation

Unaudited Condensed Consolidated Interim Statements of Financial Position

(In thousands of U.S. dollars)

		June 30, 2016		December 31, 2015
Assets				
Current Assets				
Cash	$	722	$	953
Trade accounts receivable, net of allowance for doubtful debts of $145 as of June 30, 2016 and $130 as of December 31, 2015 (Note 8)		1,603		1,879
Inventories (Note 9)		3,023		3,011
Deferred inventory costs		49		75
Investment in Legend Oil and Gas (Note 11)		22		62
Prepaid expenses and other current assets		393		208
Total current assets		5,812		6,188
Property and Equipment, Net (Note 10)		1,462		1,524
Total Assets	$	7,274	$	7,712
Liabilities				
Current Liabilities				
Accounts payable	$	712	$	936
Secured subordinated convertible debenture (Note 12)		-		-
Accrued liabilities (Note 14, 15)		1,076		1,070
Note payable (Note 12)				
Deferred revenue		120		170
Provision for income tax		7		
Total current liabilities		1,915		2,176
Total liabilities		1,915		2,176
Commitments and contingencies (Note 16)				
Shareholder's Equity				
Common shares – no par value (Note 17)		28,317		28,317
Contributed surplus		3,773		3,679
Accumulated deficit		(26,731)		(26,460)
Total shareholders' equity		5,359		5,536
Total Liabilities and Shareholders' Equity	$	7,274	$	7,712

See Going Concern Note 3 and Subsequent events Note 22
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Daniel Phelan, Director

/s/ Zachariah Mathews, Director

Wi2Wi Corporation

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

	Three Months ended June 30		Six Months ended June 30	
	2016	2015	2016	2015
Revenues	$ 2,499	$ 4,002	$ 4,856	$ 8,634
Cost of revenues	1,717	2,641	3,437	5,936
Gross profit	782	1,361	1,419	2,698
Operating expenses (Note 19)			,	
Research and development	286	321	605	542
Selling, general and administrative	596	709	1,140	1,472
Changes in fair value of Legend Shares	(2)	56	48	(126)
Total operating expenses	880	1,086	1,793	1,888
Income (loss) from operations	(98)	275	(374)	810
Other Income	110	69	110	145
Income (loss) before income taxes	12	206	(264)	665
Provision for income tax	7	20	7	40
Net Income (loss) and total comprehensive income (loss)	$ 5	$ 186	$ (271)	$ 625
Net Income (loss) per share, basic and diluted (Note 17)	$ 0.000	$ 0.002	$ -0.002	$ 0.006

See Going Concern Note 3 and Subsequent event Note 22
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								Total
					Contributed Surplus		Accumulated Deficit		Shareholders'
	Shares		Amount						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
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
Consolidated Balances, December 31, 2014	96,614,024	$	25,824	$	3,384	$	(28,080)	$	1,128
Share-based compensation expense	-		-		60		-		60
Net income and comprehensive income	-		-		-		625		625
Consolidated Balances, June 30, 2015	133,027,744	$	25,824	0	3,444	0	(27,455)	0	1,813
Consolidated Balances, December 31, 2015	133,027,744	$	28,317	$	3,679	$	(26,460)	$	5,536
Share-based compensation expense	-		-		94				94
Net loss and comprehensive loss	-		-				(271)		(271)
Consolidated Balances, June 30, 2016	133,027,744	$	28,317	0	3,773	0	(26,731	0	5,359

See Going Concern Note 3 and Subsequent event Note 22
See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

(In thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Operating Activities				
Net profit/(loss)	$ 5	$ 186	$ (271)	$ 625
Adjustments for non-cash items:				
Depreciation and amortization	55	(5)	104	82
Share-based compensation	47	30	94	60
Warrant expense		-		-
Changes in fair value of Legend shares	(2)	56	40	(126)
Foreign exchange, Gain on Note payable	-	7	-	(30)
Changes in assets and liabilities:				
Accounts receivable	(144)	992	277	1085
Inventories	32	(350)	(12)	594
Deferred inventory costs	(6)	323	26	131
Prepaid expenses and other current assets	(118)	(39)	(186)	(268)
Accounts payable	(58)	(53)	(224)	(412)
Accounts payable to related parties	-	-	-	-
Accrued liabilities	12	(80)	6	(102)
Income taxes	7	22	7	42
Deferred revenue	14	(789)	(50)	(247)
Net Cash Used in Operating Activities	(156)	300	(189)	1,434
Cash Flows from Investing Activities				
Additions to property and equipment	(22)	(61)	(42)	(72)
Net Cash Used in Investing Activities	(22)	(61)	(42)	(72)
Cash Flows from Financing Activities				
Proceeds from promissory notes	-	-	-	-
Issuance of common shares for cash	-	-	-	-
Net Cash Provided by Financing Activities		-		-
Net Increase (Decrease) in Cash	(178)	239	(231)	1,362
Cash, beginning of period	901	1,768	953	645
Cash, at end of period	$ 722	$ 2,007	$ 722	$ 2,007
Supplemental Disclosure of Cash Flow Information:				
Interest paid	$ 0	$ -	$ 0	$ -

See Going Concern Note 3 and Subsequent event Note 22

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 Toronto Stock Exchange Venture Exchange ("TSXV") approval on November 4, 2014, (Note 6).

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) 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, and 2015 which are available on SEDAR at www.sedar.com. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in (Note 7).

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 August 25, 2016

Comparatives

Comparative figures for Investment in Legend Oil and Gas ($22) has been reclassified as part of prepaid expenses and other current assets, to conform to the financial statement presentation for the current year.

3. Going Concern

The Company has in the past experienced recurring losses, negative working capital, debt and difficulty raising funds. Although the Company has made improvements in those areas since November 2014 through June 30, 2016, there remains the concerns regarding current and future sales levels, and a concern over potential future operating losses and cash burn. Financing continues to be an on-going concern.

There can be no assurances that additional financing will be available or that the Company will sustain profitability and positive cash flows in the coming quarters. This is due to technology concerns with new product development and customer adoption of the product. If additional funding were not able to be secured it could result in reduced business activities and costs cuts.

The Company has reserved $781 as at June 30, 2016 for any potential legal claim in connection with indemnifying two former board members (note 15).

These unaudited condensed consolidated interim 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

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 are 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. 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
Trade 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
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 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.

Other liabilities are measured at fair value on initial recognition, net of transaction costs and subsequently at amortized cost using the effective interest rate method.

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

The note receivable and investment in Legend shares are included in prepaid expenses and other assets in the consolidated statements of financial position, and the warrant liability is included in accrued liabilities.

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 6 months ended June 30, 2016 and years ended December 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.

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.

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 6 months ended June 2016 and years ended December 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 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.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2015, 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 May 2014, the IASB issued IFRS 15"Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled 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.

In January 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.

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.

(In thousands of U.S. dollars)

The Company acquired 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. Debenture and accrued interest will be exchanged for shares (Note 12).

(iii) Interim funding provided from the date of the Agreement to receiving approval by seller amounting to $524. This amount will be exchanged for shares (Note 12).

The Company received Toronto Stock Venture Exchange approval for the acquisition of Purchased Assets 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.

Acquisition of Precision assets

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**

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

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.

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.

8. Trade Accounts Receivable

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

(In thousands of U.S. dollars)

	June 30, 2016	December 31, 2015
Trade accounts receivable	$ 1,748	$ 2,009
Less provision for impairment of trade receivables	(145)	(130)
Trade receivables - net	$ 1,603	$ 1,879

9. Inventories

Inventories consist of:

	June 30, 2016	December 31, 2015
Raw materials and work in progress (gross)	$ 2,042	$ 2,124
Inventory write-down	(29)	(29)
Raw materials and work in progress (net)	2,013	2,095
Finished goods (gross)	1,323	1,228
Inventory write-down	(313)	(312)
Finished goods (net)	1010	916
Total	$ 3,023	$ 3,011

10. 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	32	9	-	-	41
At June 30, 2016	$ 1,966	$ 176	$ 89	$ 50	$ 2,280
Accumulated Depreciation					
Balance, December 31, 2015	$ 512	$ 113	$ 78	$ 11	$ 714
Additions	88	9	1	6	104
At June 30, 2016	$ 600	$ 122	$ 79	$ 17	$ 818
Net Book Value					
At December 31, 2015	$ 1,421	$ 54	$ 10	$ 39	$ 1,524
At June 30, 2016	$ 1,366	$ 54	$ 10	$ 33	$ 1,462

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 June 30, 2016 the Company held 20,773,181,shares of Legend of which are restricted and the shares closed at CAD $.0007 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

As a condition of closing of the RTO transaction the Company converted CAD$500 of the amount owing to Norton Rose Fulbright Canada LLP, a creditor of the Company into an unsecured promissory note with a 10% annual interest rate and December 31, 2015 maturity date. The note was $430 at December 31, 2014. 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 17). 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 amount owed to the creditor under the settlement agreement, with exception of CAD$75 is to be paid in equal amounts over a period six months, commencing November 14, 2015. CAD$75 will be waived when the final payment has been made. As of June 30, 2016, the notes were fully paid off and unpaid balance of CAD$75 was waived fully by the note holder and the Company doesn't owe any amount to the note holder.

Secured subordinated convertible debenture

As part of the purchase price for the acquisition of Precision assets (Note 3) the Company issued a secured subordinated convertible debenture for $2.5 million. The Debenture had a maturity date of November 4, 2015 and interest rate of 10.25% per annum payable on the maturity date of the Debenture. The holder of the Debenture (the "Holder") 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 CAD$0.25 per share. The conversion option is considered to be a derivative because the conversion feature is in CAD$, 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 fair value is updated at each reporting date.

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

(In thousands of U.S. dollars)

On June 19, 2015 the Company announced a shares for debt transaction with the Holder, to settle an aggregate amount of $3,192 (the "Debt") owed to them consisting of:

a) Principal amount of the secured subordinated convertible debenture of $2,500;
b) Unpaid but accrued interest related to the Debenture in the amount of $168; and
c) Interim funding provided to the Company in the amount of $524.

Based on the Bank of Canada noon exchange rate on June 18, 2015 the Canadian dollar equivalent of the Debt was CAD$3,898 (CAD exchange rate of 1.2209).

On July 31, 2015, the Company signed a Debt Settlement and Investor Rights Agreement reflecting the terms of the shares for debt conversion. This transaction received approval of the TSXV, on August 20, 2015 and shareholders' approval at a Special General Meeting held on September, 25, 2015.

30,570,082 common shares of the Company were issued to the Holder on October 28, 2015 (Note 17) as consideration for the Debt. The common shares issued in the settlement represent a deemed price of CAD$0.1275 per common share representing the "Discounted Market Price", as defined under TSXV policies, based on the closing price of the Wi2Wi common shares on the TSXV on June 18, 2015. The fair market value of the settlement as measured on the date the shares were issued was $2,093, resulting in a gain on settlement of $1,100.

13. Related Parties

The Company incurred expenses related to travel by directors and officers of $13,732 and $18,000 in the three months period ending June 30, 2016 and 2015 respectively and $19,885 and $24,000 in the six month period ending June 30, 2016 and 2015 respectively.

14. Accrued Liabilities

Accrued liabilities consist of:

	June 30, 2016	December 31, 2015
Accrued compensation	$ 186	$ 230
Accrued interest	-	-
Accrual for legal proceedings (Note 15)	781	781
Accrual for legal and professional fees	-	26
Interim funding provided by Precision (Note 3, 6, 22)	-	-
Accrual for warrant liability	-	-
Other accrued expenses	109	33
	$ 1,076	$ 1,070

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.

(In thousands of U.S. dollars)

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 $794. 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, 2015 in connection with this matter and continuing with the same amount of $781 as at June 30, 2016.

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, labor code violation, termination in violation of public policy, breach of the covenant of good faith and fair dealing. On August 25, 2015 the Company settled the claim and agreed to pay $325 and issued 1 million common shares of the Company. The shares were issued on October 28, 2015 (Note 15).

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, 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 negotiated a new lease for reduced space. The new monthly lease payments will be 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. 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 are as follows:

Year	Amount
Balance of 2016	262
2017	535
2018	508
2019	523
2020`	539
Total	**$2,371**

(In thousands of U.S. dollars)

Operating Lease

On May 26, 2015 the Company entered into an operating lease for equipment. The lease has a 24 month term 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 June 30, 2016 under the non-cancellable operating leases, expiring on May 15, 2017, are as follows:

Year	Amount
2016	$ 11
2017	9
Total	**$ 20**

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 June 30, 2016, and 2015.

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 loss per share has been calculated based on 133,027,744 and 96,614,024 weighted average number of common shares outstanding as of June 30, 2016 and 2015, respectively.

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.

Conversion of certain obligations to common shares

The Company on October 23, 2014 entered into agreements to issue shares to settle an amount of $460 owed to holders of promissory notes, $150 Senior Bridge loan, $30 of accrued interest, and an amount of $73 owed to a service provider. The Company issued 7,197,344 common shares at a deemed price of CAD$0.10 per share in settlement of the above-noted amount owed to debt securities holders and 444,170 common shares at a deemed price of CAD$0.18 per share in settlement of the above-noted amount owed to a service provider. The traded price of the Company's common stock on the day of conversion in November 2014 was CAD$0.14 (approximately $0.12). The Company recorded a loss on conversion of $234 which is recorded as a loss on conversion of debt on the consolidated statement of income.

On October 28, 2015, the Company issued:

I. 30,570,082 common shares to Holder (Note 10) as consideration for the Debt. The common shares issued at a deemed price of CAD$0.1275 per common share representing the "Discounted Market Price", as defined under TSXV policies, based on the closing price of the Company's common shares on the TSXV on June 18, 2015. The fair market value of the settlement as measured on the date the shares were issued was $2,093, resulting in a gain on settlement of $1,100.

II. 4,509,639 common shares issued for conversion of note payable and certain other trade obligations to a creditor of the Company, total amounting to $534, at a deemed price of CAD$0.1275 per share. 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.

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

III. 334,000 common shares were issued to a trade creditor in settlement of the Company's obligation at a deemed price of CAD$0.1275 per share. The fair market value of the settlement as measured on the date the shares were issued was $23, resulting in a gain on settlement of $10.

IV. 1,000,000 common shares issued to a former executive of the Company as part of the settlement of his claim The fair market value of the settlement as measured on the date the shares were issued was $68.

The traded price of the Company's common stock on the day of issue October 28, 2015 CAD$0.09 (approximately $0.07). The Common Shares issued by the Company pursuant to these shares for debt transactions are subject to resale restrictions, in accordance with applicable securities legislation and TSX Venture Exchange requirements, until February 29, 2016. The Company's outstanding Common Shares increased to a total of 133,027,744 at December 31, 2015, from 96,614,023 outstanding common shares at December 31, 2014.

Preferred Shares

16,096,084 Preferred Shares were issued to holders of common shares of ISE upon the closing of the RTO. Each Preferred share would have automatically converted into common shares on the date that is five years and one day after the date such preferred shares were issued, based on an exchange ratio of one-millionth (0.000001) of a common share for each Preferred Share converted, a total of 16 common shares.

The Preferred Shareholders on October 31, 2014 at the Company's Annual and special meeting of the shareholders, passed a special resolution authorizing an amendment to the Articles of the Company to amend the date of the conversion of the preferred shares to be November 28, 2014 and the conversion occurred on that date.

18. Share-Based Payments and Warrants

Stock Option Plan

At June 30, 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:

	June 30, 2016	June 30, 2015
Options outstanding at beginning of the period	12, 405,643	12,777,587
Options forfeited or expired	(1, 745,490)	(1,247, 939)
Options granted[1]	200,000	129,000
Options outstanding	10,860,153	11,059,148

1. These stock options were issued in CDN$0.17 converted to US$ at the June 30,, 2016 exchange rate of 1.2917.

The following table summarizes stock options outsta nding and exercisable as of June 30, 2016:

Options Outstanding	Weighted Average	Options Exercisable

Exercise Prices		Remaining Contractual Life	
$			
0.13[1]	8,870,500	6.33	2,002,418
0.15 [2]	1,545,824	4.97	1,265,691
0.46	104,107	6.23	104,107
0.34	219,176	4.35	219,176
0.23	120,546	3.09	120,546
			-
	10,860,153	6.47	3,711,937

1. These stock options have an exercise price of CAD$0.17 and have been converted to US$ at the June 30, 2016 exchange rate 1.2917 for disclosure purposes here.
2. These stock options have an exercise price of CAD$0.195 and have been converted to US$ at the June 30, 2016 exchange rate 1.2917 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:

	June 30, 2016	June 30, 2015
Expected life range	3.09-6.83 years	2.87-7.42 years
Risk-free interest rate	0.36-1.09%	0.36-1.09%
Volatility range	44%-54%	44% - 52%
Dividend yield	-	-

Warrants

The following table summarizes the warrants issued by the Company as of June 30, 2016:

	June 30, 2016	June 30, 2015
Warrants outstanding at beginning of the period	2, 935,234	3,935,234
Warrants Expired	(2,357,430)	(1,000,000)
Warrants outstanding	577,804	2,935,234

Summarized information about warrants as of June 30, 2016 is as follows:

	Warrants Outstanding	Weighted Average Remaining	Warrants Exercisable

Exercise Prices		Contractual Life	
0.34	87,670	1.23	87,670
0.46	65,752	1.23	65,752
0.46	164,382	2.10	164,382
0.32	260,000	0.74	260,000
	577,804	1.26	577,804

Per Share Calculation

The basic and diluted loss per share has been calculated based on 96,614,024 and 83,827,965 weighted average number of common shares outstanding as of June 30, 2015 and 2014, respectively. And, 133,027,744 for the year ended December 31, 2015 and Six months ended June 30, 2016.

19. Expenses by Nature

Research and Development Expenses

	Three Months ended June 30		Six Months ended June 30	
	2016	2015	2016	2015
In thousands of Dollars	$	$	$	$
Compensation	258	285	549	498
Other costs	28	36	56	44
Total research and development	286	321	605	542

Selling, General and Administrative Expenses (SG&A)

	Three Months ended June 30		Six Months ended June 30	
	2016	2015	2016	2015
In thousands of Dollars	$	$	$	$
Compensation	276	567	580	1114
Depreciation and amortization	10	10	20	30
Facility related expenses	40	70	80	122
Professional and consulting services	33	65	115	140
Other costs	237	-2	345	266
Total selling, general and administrative	596	709	1140	1472

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

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 June 30, 2016 of $3,898 and working capital of $4,012 at December 31, 2015. The Company has exchanged debt for shares for its Debenture and note payable including accrued interest (Note 3, 12 and 22), which will significantly increase the ability of the Company to continue as a going concern. See Note 3 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of June 30, 2016 and December 31, 2015 as follows:

	June 30, 2016		December 31, 2015	
Customer	Revenue %	AR %	Revenue %	AR %
A	21%	28%	16%	30%
B	9%	0%	5%	3%
C	6%	6%	6%	5%

The Company has $274, and $389 in outstanding receivables over 90 days at June 30, 2016 and December 31, 2015, respectively.

21. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at June 30, 2016 include cash, accounts receivable, bank borrowings, 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 June 30, 2016, $22 and at December 31, 2015, $63.

During 2014, the Company had two financial instruments that require a recurring level 3 fair value measurement. The warrants issued in connection with the 2014 private placement transaction are liabilities (see Note 18). The fair value at the grant date was $46 and the fair value at December 31, 2014 is $17. The fair value calculation was performed using a Black Scholes model, with the assumptions discussed in Note 18 and has a nominal value at December 31, 2015.

Also in 2014, the conversion feature associated with the Debenture was determined to be a derivative (see Note 12). The fair value at the grant date and at December 31, 2014 was $30. The fair value calculation was performed using a Black Scholes model, with the assumptions discussed in Note 18, as well as a foreign currency conversion factor. The Debenture was converted to common shares in 2015.

22. 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.

22. Subsequent events.

There are no subsequent events for the quarter ended June 30, 2016