Wi2Wi Corporation

Consolidated Financial Statements
(Expressed in US Dollars)

Years Ended December 31, 2017 and 2016

Toronto, Canada
April 12, 2018

Wi2Wi Corporation

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Independent Auditor's Report

To the Board of Directors and Shareholders
Wi2Wi Corporation
Toronto, Canada

We have audited the accompanying consolidated financial statements of Wi2Wi Corporation and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wi2Wi Corporation and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

BDO USA, LLP

April 12, 2018

Wi2Wi Corporation

Consolidated Statements of Financial Position

(In thousands of U.S. dollars)

December 31,		2017		2016
Assets				
Current Assets				
Cash	$	1,651	$	563
Restricted cash (Note 19)		500		500
Trade accounts receivable (Note 7)		1,569		1,754
Inventories (Note 8)		2,745		3,049
Deferred inventory costs		15		56
Investment in Legend Oil and Gas		24		32
Prepaid expenses and other current assets		183		254
Total current assets		6,687		6,208
Property and Equipment, Net (Note 9)		1,419		1,412
Total Assets	$	8,106	$	7,620
Liabilities				
Current Liabilities				
Accounts payable	$	794	$	801
Accrued liabilities (Notes 11 and 12)		400		1,047
Deferred revenue		36		125
Total current liabilities		1,230		1,973
Warrant liability (Note 15)		866		-
Total Liabilities		2,096		1,973
Commitments and Contingencies (Note 13)				
Shareholder's Equity				
Common shares – no par value (Note 14)		28,502		28,317
Contributed surplus		3,831		3,783
Accumulated other comprehensive loss		(6)		-
Accumulated deficit		(26,317)		(26,453)
Total shareholders' equity		6,010		5,647
Total Liabilities and Shareholders' Equity	$	8,106	$	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

Consolidated Statements of Income and Comprehensive Income

(In thousands of U.S. dollars, except net income per share)

For the years ended December 31,	2017	2016
Revenues	$ 9,610	$ 10,045
Cost of revenues	6,829	6,844
Gross profit	2,781	3,201
Operating expenses (Note 16)		
Research and development	924	1,140
Selling, general and administrative	1,176	2,134
Changes in fair value of investment in Legend Oil and Gas	8	30
Total operating expenses	2,108	3,304
Income (loss) from operations (Note 16)	673	(103)
Other Income	8	138
Warrant liability revaluation	(529)	-
Interest Income (Expense)	1	(8)
Income before income taxes	153	27
Provision for income tax	17	20
Net Income and comprehensive income	$ 136	$ 7
Net Income per share, basic and diluted (Note 14)	$ .0008	$ 0.00005

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 Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
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	-	-	48	-	-	48
Issuance of common shares in private placement (Note 14)	12,499,674	185	-	-	-	185
Accumulated other comprehensive loss	-	-	-	(6)	-	(6)
Net income and comprehensive income	-	-	-	-	136	136
Consolidated Balances, December 31, 2017	**145,527,418**	**$ 28,502**	**$ 3,831**	**$ (6)**	**$ (26,317)**	**$ 6,010**

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Cash Flows

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

For years ended December 31,	**2017**	**2016**
Cash Flows from Operating Activities		
Net income	$ 136	$ 7
Adjustments for non-cash items:		
Depreciation and amortization	217	212
Share-based compensation	48	104
Forgiveness of creditor payables	-	57
Changes in fair value of Legend Shares	8	30
Warrant liability revaluation	529	-
Changes in assets and liabilities:		
Trade accounts receivable	185	125
Inventories	304	(38)
Deferred inventory costs	41	19
Prepaid expenses and other current assets	71	(46)
Accounts payable	(7)	(192)
Accrued liabilities	(647)	(23)
Deferred revenue	(89)	(45)
Net Cash Provided by Operating Activities	796	210
Cash Flows from Investing Activities		
Additions to property and equipment	(224)	(100)
Net Cash Used in Investing Activities	(224)	(100)
Cash Flows from Financing Activities		
Collateral for line of credit (Note 19)	-	(500)
Proceeds from private placement	522	-
Net Cash Provided by (Used in) Financing Activities	522	(500)
Effects of exchange rate changes on cash and cash equivalents	(6)	-
Net Increase (Decrease) in Cash	1,088	(390)
Cash, beginning of period	563	953
Cash, at end of period	$ 1,651	$ 563

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.

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.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas of significant judgments and estimates have been made in preparing the consolidated financial statements and their efforts are disclosed in Note 6.

The consolidated 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.

The Company operates as one segment. Substantially all assets of the Company are located in the United States.

These consolidated financial statements have been authorized for issue by of the Board of Directors on April 12, 2018.

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.

On April 4, 2017, the Company completed an equity financing for CAD $700, which was approximately $522. See discussion of the private placement in financing activities section of Note 14.

As of December 31, 2017 the company is debt free and cash flow positive.

4. Significant Accounting Policies

Restricted Cash

As part of the collateral for a line of credit discussed in Note 19, 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 2018. The cash in the restricted account is interest bearing.

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
Warrants	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 of the 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. Details provided in Note 20.

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. The functional currency of WI2WI (India) PRIVATE LIMITED foreign subsidiary is its local currency of Rupees.

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the years ended December 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 years ended December 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.

Effective May 2017 the Company has a Restricted Share Unit Plan which was established as a method by which equity-based incentives may be awarded to the directors, officers and employees of, and consultants to, the Company to recognize and reward their significant contributions to the long-term success of the Company and to align their interests more closely with the shareholders of the Company.

The fair value of the Restricted Share Units are measured at fair value at the date of grant and are expensed as compensation costs over the vesting period with a corresponding increase in contributed surplus. Fair value is determined as the average of the highest and lowest selling price of the Company's common stock on the day the Restricted Share Units are issued. Upon vesting of the Restricted Share Units the amount originally credited to contributed surplus is allocated to share capital.

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 for warranty costs at December 31, 2017 or 2016.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2017, 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 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. IFRS 15 will be applied by the Company on January 1, 2018 using the modified retrospective adoption method. One item the Company is evaluating is whether or not the Company's revenue recognition on sales to certain distributors may be recorded at the time of shipment to the distributor, as opposed to when the distributor has sold the product to a third party. The Company does not expect that item to have a material impact on the financial statements. The Company's evaluation of the standard is ongoing, and no material impact on the Company's financial statements is expected. Additional disclosures will be required upon implementation to provide sufficient information to enable users to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 and no material impact is expected.

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 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 evaluated the impact of adopting these amendments on the consolidated financial statements. No material impact is expected on Company's consolidated financial statements of income.

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and asset in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after June 1, 2019. Earlier adoption is permitted. The interpretation requires an entity to:

- contemplate whether uncertain tax treatment should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company has yet to assess the impact of this new standard on its 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.

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.

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

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.

December 31,		2017		2016
Trade accounts receivable	$	1,592	$	1,810
Less provision for impairment of trade receivables		(23)		(56)
Trade receivables - net	$	1,569	$	1,754

8. Inventories

Inventories consist of:

December 31,		2017		2016
Raw materials (gross)	$	1,988	$	1,904
Inventory write-down		(361)		(336)
Raw materials (net)		1,627		1,568
WIP Inventory		152		214
Finished goods (gross)		1,329		1,497
Inventory write-down		(363)		(230)
Finished goods (net)		966		1,267
Total	$	2,745	$	3,049

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

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	155	19	-	50	224
At December 31, 2017	$ 2,165	$ 203	$ 89	$ 105	$ 2,562
Accumulated Depreciation					
Balance, December 31, 2016	$ 690	$ 133	$ 80	$ 23	$ 926
Additions	180	23	3	11	217
At December 31, 2017	870	156	83	34	1,143
Net Book Value					
At December 31, 2016	$ 1,320	$ 51	$ 9	$ 32	$ 1,412
At December 31, 2017	$ 1,295	$ 47	$ 6	$ 71	$ 1,419

10. Related Parties

In April 2017, the Company raised CAD $700 through a Private Placement as discussed in Note 14. The majority of the funding was from the board of directors and from the current investors.

The Company incurred expenses related to travel by directors and officers of $35 and $25 in the years ending December 31, 2017 and 2016 respectively.

11. Accrued Liabilities

Accrued liabilities consist of:

December 31,	2017	2016
Accrued compensation	$ 183	$ 204
Accrual for legal proceedings (Note 12)	131	781
Other accrued expenses	86	62
	$ 400	$ 1,047

12. Legal Proceedings

Accrual for Legal Proceedings

A former Company executive (Plaintiff) has asserted a claim of CAD$4,400 against four former directors of the Company (defendants) for damages incurred as a result of the claimed lost value of Plaintiff's investment which he was unable to realize because of the defendants' conduct. Judgment was rendered on January 28, 2014 by Quebec Superior Court of Justice. Two former directors were found to have benefited from the "oppressive conduct" and ordered to pay CAD$648 plus interest and additional indemnity as of July 6, 2010. The action against the other two former directors was dismissed. An appeal from the judgment had been filed with Quebec Court of Appeal to overturn the judgment and dismiss the action as a whole, but the appeal was denied. A former director then sought leave to appeal to the Supreme Court of Canada with such leave granted on April 7, 2016.

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

Canada Business Corporation Act (124 (1) & (3)) essentially provides that the corporation may indemnify a director or former director if he acted in honesty, in good faith, and in the best interest of the corporation. When the three conditions are not met, a corporation is prohibited from indemnifying the director or former director notwithstanding what the by-laws, indemnity agreement or other contractual undertaking may provide. This rule is confirmed by at least two recent judgments from the Court of Appeal of Ontario, (*White v, Hollinger Inc.*, 2006 and *Cytrynbaum* v. *Look Communication Inc.*, 2013).

On July 13, 2017 the Supreme Court of Canada dismissed the appeal and confirmed the judgments of the Quebec Court of Appeal and of the Quebec Superior Court of Justice.

The Company has received legal advice to the effect that, in certain circumstances specifically when a director has benefitted personally, that the Company may not have an obligation to indemnify the director. On February 7, 2018 the Company was served with a Notice of Garnishment by the former Company executive. The Company has advised counsel for the former Company executive that no amount is owed by the Company to the former directors. Counsel to the former Company executive is proceeding with a garnishment hearing to determine this matter. Such hearing is expected to take place on or around mid-July 2018.

Based on the legal advice received, the Company has decided not to indemnify the former directors and reduced the accrual for legal proceedings from $781 to $131 at December 31, 2017. This amount is reserved to eventually cover all current and future legal expenses respecting 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.

13. 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. This lease was renewed beginning August 1, 2017 and will expire July 31, 2019.

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, 2019, for San Jose location, and May 15, 2020 for Middleton location are as follows:

Year	Amount
2018	577
2019	565
2020	176
Total	**$1,318**

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

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 December 31, 2017 under the non-cancellable operating leases, are as follows:

Year	Amount
2018	$ 94
2019	71
Total	**$ 165**

14. 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 years ended December 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 145,527,418 and 158,027,092 weighted average shares outstanding, respectively, for the year ended December 31, 2017. The basic and diluted per share has been calculated based on 133,027,744 weighted average shares outstanding for the year ended December 31, 2016.

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

Financing Activities

On April 4, 2017, the Company completed a non-brokered private placement for proceeds of CAD $700, which is approximately USD $522. The majority of the funding was from the board of directors and from the current investors. The Company did not pay any finder's fees or commissions in connection with the private placement. The capital raised will be used to develop new products from the Company's 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 in the coming years.

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, 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 warrants were determined to be liabilities, as discussed in Note 15, with a fair value of CAD$451 ($337) at the issuance date. As the total proceeds from the private placement was CAD$700, the Company recorded the residual amount of CAD$249 ($185) in shareholders equity.

15. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2017, 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 options:

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2015	12,405,643	$ 0.14
Options forfeited or expired[1]	(4,008,201)	0.16
Options granted[2]	200,000	0.13
Options outstanding at December 31, 2016	8,597,442	$ 0.14
Options forfeited or expired[3]	(4,110,875)	$ 0.14
Options outstanding at December 31, 2017	4,486,567	$ 0.15

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 December 31, 2017 exchange rate.

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

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

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
0.14[1]	3,271,500	4.11	3,069,632
0.16 [2]	880,824	2.47	880,824
0.46	5,479	3.73	5,479
0.34	219,176	1.84	219,176
0.23	109,588	.65	109,588
			-
	4,486,567	3.59	4,284,699

1. These stock options have an exercise price of CAD$0.17 and have been converted to US$ at the December 31, 2017 exchange rate of 1.25725 for disclosure purposes here.
2. These stock options have an exercise price of CAD$0.195 and have been converted to US$ at the December 31, 2017 exchange rate of 1.25725 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 was determined based on the following assumptions:

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

Share-based compensation expense related to stock options and RSU's is charged to research and development and selling, general and administrative, as follows:

December 31,	2017	2016
Research and development	$ -	$ -
Selling, general and administrative	48	104
	$ 48	$ 104

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

Restricted Share Units (RSU's)

At December 31, 2017, the Company had the Wi2Wi Corporation Restricted Share Unit Plan.

The following table summarizes the RSU's issued by the Company:

	RSU's
RSU's outstanding at December 31, 2016	-
RSU's issued	1,808,350
RSU's released	-
RSU's outstanding at December 31, 2017	1,808,350

Restricted Share Units are measured at fair value at the date of grant and are expensed over the vesting period with a corresponding increase in contributed surplus. Fair value of an RSU is determined as the average of the highest and lowest selling price of the Company's stock on the RSU grant date.

Warrants

The following table summarizes the warrants issued by the Company as of December 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 issued[2]	12,499,674	0.09
Warrants expired[3]	(153,422)	0.39
Warrants outstanding at December 31, 2017	12,664,056	$ 0.09

1. The exercise price of these warrants is CAD$0.25and CAD$0.45, which is converted to US$ at the December 31, 2016 exchange rate for presentation in this table.
2. The exercise price of these warrants is CAD$0.11, which is converted to US$ at December 31, 2017 exchange rate for presentation in this table.
3. The exercise price of these warrants is USD$0.34 and USD$0.46.

In April 2017, the Company issued 12,499,674 warrants, with an exercise price of CAD$0.11, in connection with a private placement, as discussed in Note 14. The warrants are fully vested. The warrants include a feature in which the exercise price would be adjusted in the event of a down round financing and the warrants are therefore accounted for as liabilities. The Company determined the warrants had a fair value of CAD$451 (USD$337), which is a fair value of CAD$.04 (USD$.03) per warrant, at the issuance date and has revalued the warrant liability to fair value at each reporting period thereafter. The warrant liability fair value is CAD$1,086 ($USD866) at December 31, 2017. The Company used the Monte Carlo model, which is a scenario analysis tool that allows dynamic modeling of financial instruments, to determine the fair value of the warrants. Monte Carlo simulations help determine the drivers of value, incorporates how professional judgement drives value, and allows for additional support of the concluded value. The Company used assumptions related to the stock price (CAD$.17), time to expiration (4.25 years), volatility (52.1%), and risk free interest rate (1.7%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment.

The change in warrant liability fair value between the issuance date and December 31, 2017 of CAD$635 (USD$ 529) is recorded as warrant liability revaluation in the statement of income and comprehensive income. The warrant liability is included as a non-current liability in the statement of financial position, because the warrant liability will be settled through issuance of equity instruments.

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

The warrant liability revaluation is a non-cash expense item and fluctuations in the Company's stock price can increase or decrease the fair value of the warrant liability and impact the statement of income and comprehensive income of the Company.

The remaining outstanding warrants are accounted for as equity instruments. 2,617,430 warrants expired unexercised in 2016, 153,422 expired unexercised in 2017, 164,382 expire February 2018 and the remaining 12,499,674 expire April 2022.

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

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
$ 0.46	164,382	0.10	164,382
0.09	12,499,674	4.26	12,499,674
	12,664,056	4.21	12,664,056

16. Expenses by Nature

For the years ended December 31,	2017	2016
Research and Development		
Compensation	$ 765	$ 1,015
Other costs	159	125
Total research and development	**$ 924**	**$ 1,140**
Selling, General and Administrative Expenses		
Compensation	$ 905	$ 901
Depreciation and amortization	54	41
Facility related expenses	201	205
Reversal of accrual for legal proceedings (Note 12)	(650)	-
Professional and consulting services	162	290
Other costs	504	697
Total selling, general and administrative	**$ 1,176**	**$ 2,134**

The reversal of the accrual for legal proceedings of $650 is included in income from operations for 2017. Income from operations for 2017 without the reversal would be $23.

17. 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.

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

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. In April 2017, the Company completed an equity financing for CAD $700, which is approximately $522. As of December 31, 2017, the Company continues to operate debt free and cash flow positive. See discussion of the financing activities at Note 14.

Credit Risk

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

	December 31, 2017		December 31, 2016	
Customer	Revenue %	AR %	Revenue %	AR %
A	17%	15%	8%	13%
B	14%	25%	10%	17%
C	10%	13%	15%	18%

The Company has $71 and $105 in outstanding receivables over 90 days at December 31, 2017 and 2016, respectively.

Substantially all of the Company's revenue is to customers in the United States, and revenue to customers outside the United States was approximately 16% and 20% in 2017 and 2016, respectively.

18. Fair Value of Financial Assets and Liabilities

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

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 $24 and $32 at December 31, 2017 and 2016, respectively.

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

19. 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 and the Company choses to use the revolving credit facility, 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. However the financial covenants have been met at December 31, 2017, but the Company has chosen not to use the $2 million revolving credit facility at this time.

The restricted cash of $500 is shown as a separate line item on the statement of financial position. Actual cash is the sum of cash and restricted cash at the end of each period.

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 on all the property of the Company. Interest only payments are due monthly with the principal due at maturity, which will be May 31, 2018.

There have been no borrowings as of December 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.

20. Income Taxes

There is a $17 tax provision expense and $20 tax provision expense recorded for the years ended December 31, 2017 and 2016, respectively. The total income tax expense (benefit) differs from the amounts computed by applying the statutory federal income tax rate of 34% as follows:

For the years ended December 31,	2017	2016
Computed tax expense	$ 52	$ 9
Nondeductible items and other	160	29
State taxes, net of federal benefit	30	1
Foreign rate differential	49	39
Tax rate change	1,258	(14)
Adjustment for under provision in prior periods	38	569
Credits	0	12
Deferred taxes not recognized	(1,570)	(625)
	$ 17	$ 20

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

A deferred tax asset has not been recognized for the following:

December 31,	2017	2016
Accruals and reserves	$ 268	$ 580
Capitalized costs	85	73
Loss carryforwards	3,781	5,188
Credits	558	526
Total deferred tax assets	4,692	6,366
Deferred tax liabilities	(191)	(295)
Deferred tax not recognized	$ 4,501	$ 6,071

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible or includible in taxable income. Expiration of loss carryforwards and credit carryforwards is detailed below. Other deferred tax assets have no expiry date.

Management considers projected future taxable income and tax planning opportunities in making this assessment. Based upon the level of historical losses and projections for future taxable income over the periods to which the deferred tax assets are applicable, management believes it is not more likely than not the Company will realize the benefits of these deductible differences, therefore deferred tax assets have not been recognized.

The Company had U.S. federal and state net operating loss (NOL) carryforwards and Canadian loss carryforward of approximately $11,570, $15,890, and $910, respectively, available to offset future taxable income at December 31, 2017, and approximately $11,949, $16,050, and $713, respectively, at December 31, 2016. The U.S. federal NOL carryforwards will expire beginning 2027, if not utilized. The state NOL carryforwards will expire beginning 2017, if not utilized. The Canadian loss carryforwards will expire beginning 2035, if not utilized.

In December 2017, the Tax Cuts and Jobs Act was enacted to reduce future corporate tax rates from 35% to 21%. The effect of a change in tax laws or rates is recognized at the date of enactment and deferred tax amounts are calculated using prospective tax rates. This change did not impact tax expense in 2017 as the deferred taxes are not recognized.

21. Key Management Personnel Compensation

For years ended December 31,	2017	2016
Officer compensation	$ 297	$ 387
Benefits and other personnel costs	28	19
	$ 325	$ 406

22. Supplemental Disclosure of Cash Flow Information

For the years ended December 31,	2017	2016
Interest paid	$ -	$ 8
Non cash investing and financing activities:		
Common shares issued to settle certain liabilities	$ -	$ 2,493

23. Subsequent events

The Company evaluates events that occur through the filing date and discloses any material events or transactions. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.