Wi2Wi Corporation

Consolidated Financial Statements

(Expressed in US Dollars)

Years Ended December 31, 2018 and 2017

Toronto, Canada
April 15, 2019

Wi2Wi Corporation

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Wi2Wi Corporation:

Opinion

We have audited the consolidated financial statements of Wi2Wi Corporation and its subsidiaries (together the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 12, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, B.C.
April 15, 2019

Wi2Wi Corporation
Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

December 31,		2018		2017
Assets				
Current Assets				
Cash	$	2,070	$	1,651
Restricted cash (Note 19)		500		500
Trade accounts receivable (Note 7)		1,411		1,569
Inventories (Note 8)		2,946		2,745
Investment in Legend Oil and Gas Ltd.		11		24
Prepaid expenses and other current assets		192		198
Total current assets		7,130		6,687
Property and Equipment, Net (Note 9)		1,242		1,419
Total Assets	$	8,372	$	8,106
Liabilities				
Current Liabilities				
Accounts payable	$	675	$	794
Accrued liabilities (Notes 11 and 12)		1,205		436
Total current liabilities		1,880		1,230
Warrant liability (Note 15)		144		866
Total Liabilities		2,024		2,096
Commitments (Note 13)				
Shareholders' Equity				
Common shares – no par value (Note 14)		28,653		28,502
Contributed surplus (Note 15)		3,871		3,831
Accumulated other comprehensive loss		(2)		(6)
Accumulated deficit		(26,174)		(26,317)
Total shareholders' equity		6,348		6,010
Total Liabilities and Shareholders' Equity	$	8,372	$	8,106

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

For the years ended December 31,	2018	2017
Revenues	$ 9,711	$ 9,610
Cost of revenues	6,921	6,829
Gross profit	2,790	2,781
Operating expenses (Note 16)		
Research and development	619	924
Selling, general and administrative	2,719	1,176
Change in fair value of investment in Legend Oil and Gas Ltd.	13	8
Total operating expenses	3,351	2,108
Income (loss) from operations	(561)	673
Other income (expense)	(13)	8
Warrant liability revaluation	722	(529)
Interest income	-	1
Income before income taxes	148	153
Provision for income tax	5	17
Net income	$ 143	$ 136
Net income per share, basic and diluted (Note 14)	$ .0008	$ .0008

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				
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
Net comprehensive income	-	-	-	(6)	136	130
Balances, December 31, 2017	**145,527,418**	**$ 28,502**	**$ 3,831**	**$ (6)**	**$ (26,317)**	**$ 6,010**
Share-based compensation expense	1,348,337	132	40	-	-	172
Common shares issued for cash on exercise of warrants (Note 15)	225,000	19	-	-	-	19
Net comprehensive income	-	-	-	4	143	147
Balances, December 31, 2018	**147,100,755**	**$ 28,653**	**$ 3,871**	**$ (2)**	**$ (26,174)**	**$ 6,348**

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,	2018	2017
Cash Flows from Operating Activities		
Net income	$ 143	$ 136
Adjustments for non-cash items:		
Depreciation and amortization	251	217
Share-based compensation	172	48
Change in fair value of investment in Legend Oil and Gas	13	8
Warrant liability revaluation	(722)	529
Changes in non-cash working capital:		
Trade accounts receivable	158	185
Inventories	(201)	304
Prepaid expenses and other current assets	6	112
Accounts payable	(119)	(7)
Accrued liabilities	769	(736)
Net Cash Provided by Operating Activities	470	796
Cash Flows from Investing Activity		
Additions to property and equipment	(74)	(224)
Net Cash Used in Investing Activity	(74)	(224)
Cash Flows from Financing Activities		
Proceeds from private placement	-	522
Issuance of common shares on exercise of warrants	19	-
Net Cash Provided by Financing Activities	19	522
Effects of exchange rate changes on cash and cash equivalents	4	(6)
Net Increase in Cash	419	1,088
Cash, beginning of year	1,651	563
Cash, at end of year	$ 2,070	$ 1,651

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 Canada 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. The Company shares trade on the TSX Venture Exchange under the symbol "YTY".

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 works on developing new products.

2. Basis of Preparation

The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand dollars except where otherwise indicated. The consolidated financial statements have been prepared on an accrual basis except for cash flow information, and are based on historical costs except for certain financial instruments, which are measured at fair value.

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 which have been made in preparing the consolidated financial statements 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 15, 2019.

3. Capital Management

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, 2018, and 2017.

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.

4. Significant Accounting Policies

Restricted Cash

As part of the collateral for a credit facility 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 2019. 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 turnover 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. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventory to their present location and condition. Net realizable value is the estimated selling price less estimated costs to complete. 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.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation, amortization and impairment losses. 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 furniture and fixtures;
- Five to ten years for machinery and equipment;
- Over the term of lease or estimated useful life of leaseholds, whichever is shorter.

Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

Non-financial assets to be held and used by the Company are reviewed for possible impairment annually, and 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

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information. For trade accounts receivable, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade accounts receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

The Company's financial instruments are accounted for as follows under IFRS 9:

	Classification	**Measurement**
Cash and restricted cash	Amortized cost	Amortized cost
Trade accounts receivable	Amortized cost	Amortized cost
Investment in Legend Oil and Gas	FVTPL	Fair value
Accounts payable	Amortized cost	Amortized cost
Accrued liabilities	Amortized cost	Amortized cost
Warrant liability	FVTPL	Fair value

Income Taxes

The Company applies the asset and liability approach to recording current and deferred taxes. Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. 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 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 profit or loss 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 profit or loss. Details provided in Note 20.

Foreign Currency

The Company's presentation currency is the US dollar. The functional currency of the Company's self-sustaining foreign subsidiaries, Wi2Wi Inc. and Wi2Wi LLC, are their local currency of US dollars. The functional currency of WI2WI (India) PRIVATE LIMITED foreign subsidiary is its local currency of Rupees. The functional currency of Wi2Wi Corporation is its local currency of Canadian dollars.

Foreign currency translation, transactions in other than the functional currency

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. As at a reporting date, assets and liabilities denominated in a foreign currency are translated into the functional currency, as follows:

- Foreign currency monetary items are translated using the spot exchange rate in effect at the reporting date; and
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate(s) in effect as at the date(s) on which fair value was determined.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation as at a reporting date of assets and liabilities denominated in foreign currencies are reflected in profit or loss. There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the years ended December 31, 2018 and 2017.

Foreign currency translation, non-USD functional currency entities

For the preparation of these consolidated financial statements, all assets and liabilities are translated into the presentation currency of U.S. dollars ("USD") using the foreign exchange rate in effect as at the reporting date with Net and comprehensive income (loss) accounts translated using the average exchange rate for the reporting or applicable period. Translation adjustments arising from changes in exchange rates are reported as a component of other comprehensive income and form part of the cumulative translation account in shareholders' equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation account related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's performance obligations are satisfied at a point in time.

The Company generally has one performance obligation in its arrangements involving the sale of frequency control and connectivity products. When the terms of a contract include the transfer of multiple products, each distinct product is identified as a separate performance obligation. Generally, satisfaction occurs when control of the promised goods is transferred to the customer in exchange for consideration in an amount for which the Company expects to be entitled. Generally, control is transferred when legal title of the asset moves from the Company to the customer. We sell our products to a customer based on a purchase order, and the shipping terms per each individual order are primarily used to satisfy the single performance obligation. However, in order to determine control has transferred to the customer, the Company also considers:

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

- when the Company has a present right to payment for the goods;
- when the Company has transferred physical possession of the goods to the customer;
- when the customer has the significant risks and rewards of ownership of the goods;
- when the customer has accepted the goods.

Significant Judgments

Certain of the Company's shipments include a limited return for which the Company recognizes revenue net of expected returns. A few distributors have stock rotation rights and have 60 days after a 12 month period to return inventory, at the Company's approval, from the first order placed for any new product. Returned product has historically been insignificant.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in contract assets or contract liabilities (deferred revenue) on the Company's consolidated statements of financial position. The Company records a contract asset when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing. Contract assets are recorded in prepaid expenses and other current assets on the consolidated statements of financial position and are $9 and $15 as of December 31, 2018 and December 31, 2017, respectively. Deferred revenues are recorded in accrued liabilities on the consolidated statements of financial position and are $25 and $36 as of December 31, 2018 and December 31, 2017, respectively.

Disaggregated Revenue

We disaggregate our revenue from contracts with customers by product family and geographical areas as we believe it best depicts how the nature, timing and uncertainty of our revenue and cash flows are affected by economic factors. See details in the table below.

For the years ended December 31,	**2018**	**2017**
Product Family		
Frequency Control	$ 9,421	$ 9,291
Connectivity	290	319
	$ 9,711	$ 9,610

For the years ended December 31,	**2018**	**2017**
Geographical Area		
United States	$ 7,969	$ 7,971
Foreign Countries	1,742	1,639
	$ 9,711	$ 9,610

Research and Development

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, 2018 and 2017, 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. The fair value of options granted to employees, including directors, 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 stock options expected to vest. Estimates are subsequently revised, if there is any indication that the number of stock options expected to vest differs from previous estimates. All share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to contributed surplus. Upon exercise of stock 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, profit or loss is charged with the fair value of goods and services received. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

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 (“RSUs”) 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 RSUs are issued. Upon vesting of the RSUs 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 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, 2018 or 2017.

5. New Accounting Policies

New standards and interpretations adopted January 1, 2018:

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 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 became effective for reporting periods beginning on or after January 1, 2018. The Company adopted IFRS 15 using the modified retrospective adoption method, with the effect of initially applying this standard recognized at January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Company's consolidated financial statements and there were no adjustments required to be recognized at January 1, 2018. In accordance with the requirements of IFRS 15, the Company has disclosed the revenue recognition accounting policy in Note 4.

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. In accordance with the requirements of IFRS 9, the Company has disclosed the financial instrument accounting policy in Note 4. Adoption of this standard did not have a material effect on the 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. The Company's adoption of this standard on a prospective basis did not have a material effect.

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 Company's adoption of this standard on a prospective basis did not have a material effect.

New standards and interpretations not yet adopted:

Except as noted below, none of the new standards, interpretations and amendments, other than IRFS 16 "Leases" effective for the first time from January 1, 2019, are expected to have a material effect on the consolidated financial statements.

In 2016, IASB issued IFRS 16, "Leases", which specifies how an entity 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 has elected to apply IFRS 16 using the Modified Retrospective Approach. Under this approach, the comparative information will not be restated and the cumulative effect of initially applying the IFRS 16 will be recognized in retained earnings at the date of initial application.

The Company will use the following practical expedients permitted by the standard:

-the use of the modified retrospective approach with no restatement of prior periods. For contracts previously classified as operating leases, the Company has elected for the right-of-use asset to equal the lease liability, adjusted for any prepaid amount; and
-the election not to recognize leases for which the underlying asset is of low value.

At December 31, 2018, the Company estimates that the anticipated impact of the adoption of this standard will be less than a $850 increase to assets and liabilities as a result of the creation of a new right-of-use asset and lease liability.

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 assets 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).

6. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and assumptions 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 profit or loss.

Useful Lives of Depreciable Assets

Management reviews the useful lives of property 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,		2018		2017
Trade accounts receivable	$	1,449	$	1,592
Less provision for impairment of trade receivables		(38)		(23)
Trade receivables - net	$	1,411	$	1,569

8. Inventories

Inventories consist of:

December 31,		2018		2017
Raw materials	$	1,688	$	1,627
WIP Inventory		397		152
Finished goods		861		966
Total	$	2,946	$	2,745

For the year ended December 31, 2018, inventories recognized as an expense in cost of sales amounted to $2,819 (2017 - $3,172). During the period, inventories were reviewed for obsolescence as part of ongoing operations. As at December 31, 2018, the obsolescence provision against inventories totaled $833 (2017 - $724).

(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
Additions	62	2	-	10	74
At December 31, 2018	$ 2,227	$ 205	$ 89	$ 115	$ 2,636
Accumulated Depreciation					
Balance, December 31, 2016	$ 690	$ 133	$ 80	$ 23	$ 926
Additions	180	23	3	11	217
Balance, December 31, 2017	$ 870	$ 156	$ 83	$ 34	$ 1,143
Additions	201	24	2	24	251
At December 31, 2018	$ 1,071	$ 180	$ 85	$ 58	$ 1,394
Net Book Value					
At December 31, 2017	$ 1,295	$ 47	$ 6	$ 71	$ 1,419
At December 31, 2018	$ 1,156	$ 25	$ 4	$ 57	$ 1,242

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.

11. Accrued Liabilities

Accrued liabilities consist of:

December 31,	2018	2017
Accrued compensation	**$** 172	$ 183
Accrual for legal proceedings (Note 12)	742	131
Other accrued expenses	291	122
	$ 1,205	$ 436

12. Legal Proceedings

Accrual for Legal Proceedings

A former Company executive (Plaintiff) has asserted a claim of CAD $4.4 million 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. A judgment was rendered on January 28, 2014 by the 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 the 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.

Canada Business Corporation Act (124 (1) & (3)) essentially provides that a 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. Based on the legal advice received, the Company decided not to indemnify the former directors and reduced the prior year accrual for legal proceedings from $781 to $131 at December 31, 2017. An additional $705 was added to the accrual at December 31, 2018 due to current legal expenses. The additional amount was reserved to cover future legal expenses respecting this matter.

On February 7, 2018 the Company was served with a Notice of Garnishment by the Plaintiff who had secured the judgment in the Quebec proceeding. The Plaintiff claimed that the Company was under an obligation to indemnify one of the directors for the amounts of the Quebec judgment and, effectively, that the Company should be ordered to pay this indemnity amount to the benefit of the Plaintiff.

On October 25, 2018, the Ontario Superior Court ruled in favor of the Plaintiff in the garnishment proceedings against Wi2Wi. It ordered the Company to pay the sum of CAD $962 (approximately $705 USD) plus accrued interest of CAD $8 (approximately $6) to the Sheriff in the City of Toronto pursuant to the notice of garnishment (the **Ontario Court Decision**). An order for legal costs, to be quantified was also made. It is expected this will be less than CAD $20 (approximately $15).

The Company has notified its insurers of the Ontario Court Decision. The insurer had previously denied liability for this matter. The Company will be reviewing the judgment with the insurers. The Company has appealed the decision and the hearing is set for May 22, 2019**.**

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 profit or loss, or financial condition.

13. Commitments

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. 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.

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

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
2019	$ 565
2020	176
Total	**$ 741**

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, 2018 under the non-cancellable operating leases, are as follows:

Year	Amount
2019	$ 71

14. Share Capital

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.

Per Share Calculation

The basic and diluted income per share has been calculated based on 147,100,755 and 159,375,429 weighted average shares outstanding, respectively, for the year ended December 31, 2018. The basic and diluted per share has been calculated based on 145,527,418 and 158,027,092 weighted average shares outstanding for the year ended December 31, 2017.

Financing Activities

On April 4, 2017, the Company completed a non-brokered private placement for proceeds of CAD $700, which was approximately $522. The majority of the funding was from the board of directors and current investors. The Company did not pay any finder's fees or commissions in connection with the private placement.

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 (a "Common Share") 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 warrant 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 shareholder's equity.

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

15. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2018, 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, 2016	8,597,442	$ 0.14
Options forfeited or expired	(4,110,875)	0.14
Options granted	-	-
Options outstanding at December 31, 2017	4,486,567	$ 0.15
Options forfeited or expired	(109,588)	0.23
Options outstanding at December 31, 2018	4,376,979	$ 0.14

1. Certain of these stock options, issued in Canadian dollars, were converted to US$ at the December 31, 2018 exchange rate of 1.364165.

The following table summarizes stock options outstanding and exercisable as of December 31, 2018:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
0.13[2]	3,271,500	3.11	3,204,894
0.14[1]	880,824	1.47	880,824
0.46	5,479	2.73	5,479
0.34	219,176	.84	219,176
	4,376,979	2.66	4,310,373

1. These stock options have an exercise price of CAD $0.17 and have been converted to US$ at the December 31, 2018 exchange rate of 1.364165 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, 2018 exchange rate of 1.364165 for disclosure purposes here.

The fair value of each employee option is estimated on the date of grant using the Black-Scholes option pricing model and expensed using the graded vesting 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 expected term of the option.

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

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,	2018	2017
Research and development	$ -	$ -
Selling, general and administrative	172	48
	$ 172	$ 48

Restricted Share Units (RSU's*)*

At December 31, 2018, the Company had the Wi2Wi Corporation Restricted Share Unit Plan.

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

	RSU's	**Weighted Average Grant Date Fair Value**
RSU's outstanding at December 31, 2016	-	
RSU's issued	1,808,350	$ 0.09
RSU's outstanding at December 31, 2017	1,808,350	0.09
RSU's vested	(1,348,337)	0.09
RSU's issued	2,005,884	0.12
RSU's forfeited	(306,669)	0.12
RSU's outstanding at December 31, 2018	2,159,228	$ 0.11

RSUs 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, 2018:

	Warrants	**Weighted Average Exercise Price**
Warrants outstanding at December 31, 2016	317,804	$ 0.43
Warrants issued[1]	12,499,674	0.09
Warrants expired[2]	(153,422)	0.39
Warrants outstanding at December 31, 2017	12,664,056	0.09
Warrants expired[3]	(164,382)	0.46
Warrants exercised[4]	(136,000)	0.09
Warrants exercised[5]	(89,000)	0.09
Warrants outstanding at December 31, 2018	12,274,674	$ 0.09

1. The exercise price of these warrants is CAD $0.11, which is converted to US$ for presentation in this table.
2. The exercise price of these warrants was USD $0.34 and USD $0.46.
3. The exercise price of these warrants was USD $0.46.
4. The exercise price of these warrants was CAD $0.11, which is converted to US$ at the March 31, 2018 of 1.29 exchange rate for presentation in this table.
5. The exercise price of these warrants was CAD $0.11, which is converted to US$ at the September 30, 2018 of 1.29 exchange rate for presentation in this table.

In April 2017, the Company issued 12,499,674 warrants, with an exercise price of CAD $0.11 ($0.09), 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 ($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 $197 ($144) at December 31, 2018 and CAD $1,086 ($866) at December 31, 2017.

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

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. At December 31, 2017 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. At December 31, 2018 the Company used assumptions related to the stock price (CAD $.07), time to expiration (3.26 years), volatility (49.1%), and risk free interest rate (2.5%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment.

The change in warrant liability fair value between December 31, 2017 and December 31, 2018 of CAD $889 ($ 722) is recorded as warrant liability revaluation in profit or loss. The warrant liability is included as a non-current liability in the consolidated statement of financial position, based on the expiry date of the warrants.

The remaining outstanding warrants are accounted for as equity instruments. 153,422 expired unexercised in 2017, 164,382 expired unexercised in February 2018, 136,000 were exercised in March 2018, and 89,000 were exercised in July 2018.

Summarized information about warrants as of December 31, 2018 is as follows:

Exercise Prices	**Warrants Outstanding**	**Weighted Average Remaining Contractual Life**	**Warrants Exercisable**
$0.08	12,274,674	3.26	12,274,674

16. Expenses by Nature

For the years ended December 31,

	2018	**2017**
Research and Development		
Compensation	$ 526	$ 765
Other costs	93	159
Total research and development	**$ 619**	**$ 924**
Selling, General and Administrative Expenses		
Compensation	$ 1,082	$ 905
Depreciation and amortization	52	54
Facility related expenses	222	201
Accrual (recovery) for legal proceedings (Note 12)	705	(650)
Professional and consulting services	121	162
Other costs	537	504
Total selling, general and administrative	**$ 2,719**	**$ 1,176**

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

17. Business Risks and Concentrations

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations when they fall due. The company does not believe it has significant liquidity risk. In April 2017, the Company completed a unit private placement financing for CAD $700, which was approximately $522. As of December 31, 2018, the Company did not have any debt outstanding and reported cash inflows from operations. See discussion of the financing activities at Note 14.

Credit Risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk arises on cash and restricted cash, and trade accounts receivable. The Company believes it has no significant credit risk with respect to cash and restricted cash balances which are maintained with national banks. The maximum exposure is equal to the carrying amount of these financial assets.

The Company had significant exposure to several customers as of December 31, 2018 and December 31, 2017 as follows:

	December 31, 2018		December 31, 2017	
Customer	Revenue %	AR %	Revenue %	AR %
A	17%	10%	17%	15%
B	13%	14%	14%	25%
C	10%	8%	10%	13%

The Company has $92 and $71 in outstanding receivables over 90 days at December 31, 2018 and December 31, 2017, respectively.

Market risk
Market risk is the risk that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The company believes it has no significant market risk.

Interest rate risk
Interest rate risk is the risk from the company's exposure to increases and decreases in financial instrument values caused by fluctuations in interest rates. The Company has cash and restricted cash balances. The interest earned approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates as it does not have any interest bearing debt.

Foreign currency risk
The company is exposed to minimal foreign currency risk due to the infrequency of transactions in currencies other than the US dollar. The company does not use derivatives to hedge against this risk. At December 31, 2018 had accounts payable and accrued liabilities of CDN$ 1,151 (2017- CDN $39).

Price risk
The Company is not exposed to material price risk with respect to commodity or equity prices, other than the warrant liability (note 15).

18. Fair Value of Financial Assets and Liabilities

The Company's financial instruments at December 31, 2018 include cash, restricted cash, trade accounts receivable, Investment in Legend Oil and Gas Ltd., accounts payable, accrued liabilities and warrant liability. The carrying amounts of cash, restricted cash, trade accounts receivable and accounts payable approximate their fair value amounts due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The investment in Legend Oil and Gas Ltd., and the warrant liability are reported at their fair values.

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 investment in Legend Oil and Gas Ltd. is a level 1 valuation, the fair value of the warrant liability has been determined using a level 3 technique, since recognition. There were no transfers into or out of level 3.

19. Credit Facility

On March 18, 2016 the Company entered into a $ 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 Wells Fargo to serve as collateral for the Facility, and that $500 is presented as restricted cash on the consolidated statements 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 chooses 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 met at the end of the each quarter of 2017. The financial covenants have been met at December 31, 2018, 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.

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, 2019.

There have been no borrowings as of December 31, 2018 and 2017.

Financial covenants:

(a) Statement of financial position 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.

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

20. Income Taxes

There is a $5 tax provision expense and $17 tax provision expense recorded for the years ended December 31, 2018 and 2017, respectively. The total income tax expense (benefit) differs from the amounts computed by applying the statutory federal income tax rate of 21% as follows:

For the years ended December 31,	2018	2017
Computed tax expense	$ 31	$ 52
Nondeductible items and other	(125)	160
State taxes, net of federal benefit	17	30
Foreign rate differential	23	49
Tax rate change	1	1,258
Adjustment for under provision in prior periods	0	38
Credits	0	0
Deferred taxes not recognized	58	(1,570)
	$ 5	$ 17

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

December 31,	2018	2017
Accruals and reserves	$ 498	$ 268
Capitalized costs	81	85
Loss carryforwards	3,598	3,781
Credits	558	558
Total deferred tax assets	4,735	4,692
Deferred tax liabilities	(176)	(191)
Deferred tax not recognized	$ 4,559	$ 4,501

In assessing the recognition of deferred tax assets, management considers whether it is probable that some portion or all of the deductible temporary differences will not be utilized. 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 taxable. Expiration of loss carryforwards and credit carryforwards is detailed below. Other deductible temporary differences 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 recognized valuation allowance is established at 100%.

The Company had U.S. federal and state net operating loss (NOL) carryforwards and Canadian loss carryforwards of approximately $10,905, $15,424, and $871, respectively, available to offset future taxable income at December 31, 2018, and approximately $11,570, $15,890, and $910, respectively, at December 31, 2017. The U.S. federal NOL carryforwards will expire beginning 2027, if not utilized. The Canadian loss carryforwards will expire beginning 2035, if not utilized.

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

21. Key Management Personnel Compensation

The remuneration of key management personnel of the Corporation, includes both members of the Board of Directors and leadership team, which includes the CEO and CFO*,* is set out below in aggregate:

For years ended December 31,	2018	2017
Officer compensation	$ 297	$ 297
Share based compensation	34	-
Benefits and other personnel costs	32	28
Share based compensation former directors	69	-
Travel expenses former directors	6	10
Travel expenses current directors	14	25
	$ 452	$ 360

22. Subsequent events

On October 25, 2018, the Ontario Superior Court ruled in favor of the Company's former CEO in garnishment proceedings against Wi2Wi and ordered the Company to pay the sum of CAD $962 plus accrued interest to the Sheriff in the city of Toronto pursuant to the notice of garnishment (the **Ontario Court Decision**). The garnishment proceedings were commenced following the decision of the Supreme Court of Canada in *Wilson* v. *Alharayeri*, 2017 SCC 39 holding two former Wi2Wi directors personally liable for corporate oppression. The former directors were no longer affiliated with Wi2Wi. The Company issued a press release regarding the judgment on October 29, 2018.

The Company has notified its insurers of the Ontario Court Decision and is in the process of reviewing it. The Company has appealed the decision and the hearing is set for May 22, 2019.