

Wi2Wi Corporation

Consolidated Financial Statements (Expressed in US Dollars)

Years Ended December 31, 2020 and 2019

Toronto, Canada
April 15, 2021

Wi2Wi Corporation

Table of Contents

Independent Auditor's Report	3-5
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Income (Loss)	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-28

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 statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss), consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the years 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion & Analysis filed with the relevant Canadian securities commissions.

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 audits and remain alert for indications that the other information 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, 2021

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

December 31,	2020	2019
Assets		
Current Assets		
Cash	\$ 1,239	\$ 2,180
Restricted cash (Note 22)	500	500
Trade accounts receivable (Note 7)	1,050	1,238
Inventories (Note 8)	3,308	3,188
Investment in Legend Oil and Gas Ltd.	9	9
Prepaid expenses and other current assets	180	237
Total current assets	6,286	7,352
Property and equipment (Note 9)	1,254	1,359
Right of use assets (Note 10)	3,493	4,103
Total Assets	\$ 11,033	\$ 12,814
Liabilities		
Current Liabilities		
Accounts payable	\$ 257	\$ 696
Accrued liabilities (Note 12)	292	467
Current portion of lease obligations (Note 13)	452	543
Current portion of note payable (Note 15)	54	52
Total current liabilities	1,055	1,758
Lease obligations (Note 13)	3,110	3,562
Other liabilities	51	-
Note payable (Note 15)	112	171
Warrant liability (Note 18)	7	83
Total Liabilities	4,335	5,574
Shareholders' Equity		
Common shares – no par value (Note 17)	29,057	28,993
Contributed surplus (Note 18)	3,849	3,866
Accumulated other comprehensive loss	(2)	(1)
Accumulated deficit	(26,206)	(25,618)
Total shareholders' equity	6,698	7,240
Total Liabilities and Shareholders' Equity	\$ 11,033	\$ 12,814

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

For the years ended December 31,	2020	2019
Revenues	\$ 6,928	\$ 10,369
Cost of revenues (Note 8)	5,862	7,387
Gross profit	1,066	2,982
Operating expenses (Note 19)		
Research and development	526	566
Selling, general and administrative	1,549	1,920
Change in fair value of investment in Legend Oil and Gas Ltd.	-	2
Total operating expenses	2,075	2,488
Income (loss) from operations	(1,009)	494
Other income (expense) (Note 14)	492	(15)
Warrant liability revaluation (Note 18)	76	62
Interest income (expense)	(147)	(33)
Income (loss) before income taxes	(588)	508
Provision for (benefit from) income tax (Note 23)	-	(48)
Net income (loss)	\$ (588)	\$ 556
Net income (loss) per share, basic and diluted (Note 17)	\$ (.0036)	\$.0033

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, 2018	147,100,755	\$ 28,653	\$ 3,871	\$ (2)	\$ (26,174)	\$ 6,348
Share-based compensation expense	977,652	113	(5)	-	-	108
Issuance of common shares in settlement of garnishment (Note 16)	4,000,000	227	-	-	-	227
Net comprehensive income	-	-	-	1	556	557
Balances, December 31, 2019	152,078,407	\$ 28,993	\$ 3,866	\$ (1)	\$ (25,618)	\$ 7,240
Share-based compensation expense	609,612	64	(17)	-	-	47
Net comprehensive loss	-	-	-	(1)	(588)	(589)
Balances, December 31, 2020	152,688,019	\$ 29,057	\$ 3,849	\$ (2)	\$ (26,206)	\$ 6,698

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,	2020	2019
Cash Flows from Operating Activities		
Net income (loss)	\$ (588)	\$ 556
Adjustments for non-cash items:		
Depreciation and amortization	881	903
Share-based compensation	47	108
Change in fair value of investment in Legend Oil and Gas	0	2
Warrant liability revaluation	(76)	(61)
Paycheck Protection Program Loan forgiven	(500)	-
Changes in non-cash working capital:		
Trade accounts receivable	188	173
Inventories	(120)	(242)
Prepaid expenses and other current assets	57	(45)
Accounts payable	(439)	23
Accrued liabilities	(124)	(511)
Net Cash Provided by (Used in) Operating Activities	(674)	906
Cash Flows from Investing Activity		
Additions to property and equipment	(166)	(363)
Net Cash Used in Investing Activity	(166)	(363)
Cash Flows from Financing Activities		
Proceeds of note payable	(57)	223
Proceeds of Paycheck Protection Loan	500	-
Lease payments	(543)	(657)
Net Cash Provided by (Used in) Financing Activities	(100)	(434)
Effects of exchange rate changes on cash and cash equivalents	(1)	1
Net increase (decrease) in Cash	(941)	110
Cash, beginning of year	2,180	2,070
Cash, at end of year	\$ 1,239	\$ 2,180

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

1. Nature and Description of the Company

Sargeant Bay Capital, Inc., a Canadian entity, was incorporated pursuant to the Canada Business Corporations Act on July 9, 2004. On December 12, 2005, Sargeant Bay Capital, Inc. changed its name to Wi2Wi Corporation (the “Company”) 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.

In the first several months of 2020, the virus COVID-19 spread worldwide. On March 23, 2020, the United States Department of Homeland Security has designated the Company as part of the Critical Infrastructure Sector. The Company continues to operate with a reduced manufacturing work force in essential product lines and continues to monitor and insure employee welfare. As of the filing date, the extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

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, 2021.

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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, 2020 and 2019.

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 22, 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 2021. 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 cost or net realizable value. Cost is determined on a first in first out 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.

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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, using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period.. 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 measured at amortized cost unless they are designated as 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

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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 the Company's own 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 Ltd,	FVTPL	Fair value
Accounts payable	Amortized cost	Amortized cost
Accrued liabilities	Amortized cost	Amortized cost
Warrant liability	FVTPL	Fair value
Note Payable	Amortized cost	Amortized cost

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 basis 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

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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 23.

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, 2020 and 2019.

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 revenue and expenses 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

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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:

- 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.

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,	2020	2019
Product Family		
Frequency Control	\$ 6,840	\$ 10,186
Connectivity	88	183
	\$ 6,928	\$ 10,369

For the years ended December 31,	2020	2019
Geographical Area		
United States	\$ 5,922	\$ 8,043
Foreign Countries	1,006	2,326
	\$ 6,928	\$ 10,369

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, 2020 and 2019, 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

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

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, 2020 or 2019.

Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares, except where the effect of including that dilutive instruments would be anti-dilutive.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right of use asset

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

The right of use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term using the straight line method.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following payments during the lease term: fixed payments (including in-substance fixed payments), and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments and/or lease term arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company used 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.

5. New Accounting Policies

New standards and interpretations adopted January 1, 2020:

No new standards were effective for annual periods beginning on or after January 1, 2020, that had a material impact on the Company's consolidated financial statements.

New standards and interpretations:

There are no new standards not yet adopted that are expected to have a material impact on the Company's consolidated financial statements.

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.

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Inventories

Inventories are recorded at the lower of average cost (first in first out method) or net realizable value. Charges for excess and obsolete inventory are recorded based on inventory age, shipment history and forecasted demand. The Company's business is subject to technology changes which may cause selling prices to change rapidly. Moreover, the markets that the Company serves can be volatile and actual results may vary from the Company's forecast or other assumptions, potentially impacting the Company's inventory valuation and resulting in material effects on its 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.

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,		2020		2019
Trade accounts receivable	\$	1,065	\$	1,253
Less provision for impairment of trade receivables		(15)		(15)
Trade receivables - net	\$	1,050	\$	1,238

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

8. Inventories

Inventories consist of:

December 31,	2020	2019
Raw materials	\$ 1,846	\$ 1,900
WIP Inventory	249	300
Finished goods	1,213	988
Total	\$ 3,308	\$ 3,188

For the year ended December 31, 2020, inventories recognized as an expense in cost of revenues amounted to \$1,926 (2019- \$3,222). During the period, inventories were reviewed for obsolescence as part of ongoing operations. As at December 31, 2020, the obsolescence provision against inventories totaled \$1,164 (2019 - \$1,086).

9. Property and Equipment

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2018	\$ 2,227	\$ 205	\$ 89	\$ 115	\$ 2,636
Additions	294	4	-	65	363
At December 31, 2019	2,521	209	89	180	2,999
Additions	116	26	-	23	165
At December 31, 2020	\$ 2,637	\$ 235	\$ 89	\$ 203	\$ 3,164
Accumulated Depreciation					
Balance, December 31, 2018	\$ 1,071	\$ 180	\$ 85	\$ 58	\$ 1,394
Additions	202	17	2	25	246
Balance, December 31, 2019	1,273	197	87	83	1,640
Additions	226	8	1	35	270
At December 31, 2020	\$ 1,499	\$ 205	\$ 88	\$ 118	\$ 1,910
Net Carrying Amount					
At December 31, 2019	\$ 1,248	\$ 12	\$ 2	\$ 97	\$ 1,359
At December 31, 2020	\$ 1,138	\$ 30	\$ 1	\$ 85	\$ 1,254

Depreciation for the year ended December 31, 2020 of \$270 (2019 - \$246) was included in Cost of revenues, Research and development and Selling, general and administrative departments within profit or loss in 2020 and 2019.

Wi2Wi Corporation
Notes to Consolidated Financial Statements

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

10. Right Of Use Assets

	Premises	Equipment	Total
Cost			
Recognized January 1, 2019	\$ 721	\$ 71	\$ 792
Additions	3,661	309	3,970
Deletions	(41)	-	(41)
At December 31, 2019	4,340	379	4,719
Additions	-	-	-
Deletions	(679)	(133)	(813)
At December 31, 2020	\$ 3,661	\$ 246	\$ 3,906
Accumulated Depreciation			
Recognized January 1, 2019	\$ -	\$ -	\$ -
Additions	558	99	657
Deletions	(41)	-	(41)
At December 31, 2019	517	99	616
Additions	491	119	610
Deletions	(679)	(133)	(813)
At December 31, 2020	\$ 329	\$ 85	\$ 413
Net Carrying Amount			
At December 31, 2019	\$ 3,823	\$ 280	\$ 4,103
At December 31, 2020	\$ 3,332	\$ 161	\$ 3,493

11. Related Parties

There are not any related party financing activities in the current or prior fiscal year.

12. Accrued Liabilities

Accrued liabilities consist of:

December 31,	2020	2019
Accrued compensation	\$ 165	\$ 144
Accrual for legal proceedings (Note 16)	-	168
Other accrued expenses	127	155
	\$ 292	\$ 467

13. Lease obligations

Lease obligations

Lease liability recognized at January 1, 2019	\$ 792
Leases entered into during the year	3,969
Payment of lease liability	(684)
Interest expense on lease obligations	28
Lease obligations, December 31, 2019	4,105
Leases entered into during the year	-
Payment of lease liability	(636)
Interest expense on lease obligations	93
Lease obligations at December 31, 2020	\$ 3,562

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

Maturity analysis of the contractual undiscounted cash flows for lease obligations

Less than one year (current portion)	\$ 622
One to five years	2,838
Over five years	781
Total undiscounted lease obligations	\$ 4,241
Lease obligations	\$ 3,110
Current portion of lease obligations	452
Lease obligations at December 31, 2020	\$ 3,562

14. Paycheck Protection Program Loan and Families First Coronavirus Response Act

In April 2020, the Company obtained a Paycheck Protection Program Loan with the U.S. Small Business Administration in the amount of \$500. The Paycheck Protection Program (PPP) is a \$669-billion business loan program established by the 2020 US Federal government Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue paying their workers.

The PPP allows entities to apply for low-interest private loans to pay for their payroll and certain other costs. The amount of a PPP loan is approximately equal to 2.5 times the applicant's average monthly payroll costs. The loan proceeds may be used to cover payroll costs, rent, interest, and utilities. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. The PPP is implemented by the U.S. Small Business Administration. The PPP Loan that the Company received was forgiven in full on November 10, 2020, and has been recognized as other income within profit or loss.

15. Note Payable

During 2019, the Company obtained a note payable with a bank with an original principal amount of \$223. The note is payable in monthly installments of \$5 at an interest rate of 4.99% per annum. The note is secured by a piece of equipment financed through the note.

Balance December 31, 2018	\$ -
Proceeds received	223
Payments made	-
Balance December 31, 2019	223
Payments made	(57)
Balance December 31, 2020	\$ 166

Future minimum payments on the note payable for the years then ended are as follows:

December 31,	
2021	\$ 54
2022	56
2023	56
	\$ 166

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

16. Legal Proceedings

Accrual for Legal Proceedings and Settlement

On May 23, 2019, the Company announced reaching a settlement agreement with a former executive who received a favorable ruling against Wi2Wi from the Ontario Superior Court in the garnishment proceedings. As part of the settlement, the Company paid a lump sum of CAD 500 and issued 4,000,000 common shares from treasury at a fair value of CAD 0.075 per common share.

The Company has received an additional claim for CAD 99 from a former director of the Company with regards to the reimbursement of certain fees and expenses. While the Company presently consider this claim as unmeritorious it has requested the production of supporting documents evidencing any such fees and expenses. No supporting documentation has been provided as of the date hereof.

The Company filed a claim against its D&O insurer for the reimbursement of the settlement amount and related expenses it incurred respecting the settlement of a garnishment order previously disclosed. The D&O insurer disputed the Company's claim and filed a counter claim which the Company disputed. On April 28, 2020, the presiding judge ordered both the parties for Alternative Dispute Resolution. In the Alternative Dispute Resolution held on July 22, 2020, the parties entered a settlement to withdraw the claims against each other. No payment was made nor received by the Company in connection with the settlement.

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.

17. 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 loss per share has been calculated based on 152,688,019 and 164,962,693 weighted average shares outstanding, respectively, for the year ended December 31, 2020. The basic and diluted income per share has been calculated based on 152,078,407 and 164,353,081 weighted average shares outstanding for the year ended December 31, 2019.

18. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2020, 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:

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2018	4,376,979	\$ 0.14
Options forfeited or expired ¹	(1,500,000)	0.16
Options granted ²	1,000,000	0.06
Options outstanding at December 31, 2019	3,876,979	0.12
Options forfeited or expired ³	(600,000)	0.14
Options forfeited or expired ⁴	(80,000)	0.15
Options granted ⁴	1,300,000	0.04
Options outstanding at December 31, 2020	4,496,979	\$ 0.09

1. Certain of these stock options, issued in Canadian dollars, were converted to US\$ at the March 31, 2019 exchange rate of 1.33495.

2. Certain of these stock options, issued in Canadian dollars, were converted to US\$ at the June 30, 2019 exchange rate of 1.31255.

3. Certain of these stock options, issued in Canadian dollars, were converted to US\$ at the June 30, 2020 exchange rate of 1.36110.

4. Certain of these stock options, issued in Canadian dollars, were converted to US\$ at the December 31, 2020 exchange rate of 1.27523.

The following table summarizes stock options outstanding and exercisable as of December 31, 2020:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
0.13 ¹	2,191,500	1.13	2,191,500
0.04 ²	1,300,000	6.89	650,000
0.06 ³	1,000,000	5.49	1,000,000
0.46	5,479	0.72	5,479
	4,496,979	3.76	3,846,979

1. These stock options have an exercise price of CAD \$0.17 and have been converted to US\$ at the December 31, 2020 exchange rate of 1.27523 for disclosure purposes here.

2. These stock options have an exercise price of CAD \$0.045 and have been converted to US\$ at the December 31, 2020 exchange rate of 1.27523 for disclosure purposes here.

3. These stock options have an exercise price of CAD \$0.075 and have been converted to US\$ at the December 31, 2020 exchange rate of 1.27523 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.

Restricted Share Units (RSU's)

At December 31, 2020, the Company had the Wi2Wi Corporation Restricted Share Unit Plan.

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

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

	RSU's	Weighted Average Grant Date Fair Value
RSU's outstanding at December 31, 2018	2,159,228	\$ 0.11
RSU's vested	(977,652)	0.11
RSU's outstanding at December 31, 2019	1,181,576	0.11
RSU's vested	(609,612)	0.11
RSU's outstanding at December 31, 2020	571,964	\$ 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.

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

December 31,	2020	2019
Selling, general and administrative	\$ 47	\$ 108
	\$ 47	\$ 108

Warrants

The following table summarizes the warrants issued by the Company as of December 31, 2020:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2018	12,274,674	\$ 0.09
Warrants outstanding at December 31, 2019	12,274,674	0.09
Warrants outstanding at December 31, 2020	12,274,674	\$ 0.09

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. 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 \$0.04 (USD\$0.03) 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 \$9 (\$7) at December 31, 2020 and CAD \$108 (\$83) at December 31, 2019.

The Company used the Black-Scholes option pricing model, to determine the fair value of the warrants. At December 31, 2019 the Company used assumptions related to the stock price (CAD\$0.065), time to expiration (2.26 years), volatility (48.5%), 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, 2020 the Company used assumptions related to the stock price (CAD \$0.045), time to expiration (1.25 years), volatility (53.6%), and risk free interest rate (0.2%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

The change in warrant liability fair value between December 31, 2019 and December 31, 2020 of CAD \$96 (\$ 76) 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.

Summarized information about warrants as of December 31, 2020 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
\$0.09	12,274,674	1.25	12,274,674

19. Expenses by Nature

For the years ended December 31,	2020	2019
Research and Development		
Compensation	\$ 457	\$ 482
Other costs	69	84
Total research and development	\$ 526	\$ 566
Selling, General and Administrative Expenses		
Compensation	\$ 894	\$ 957
Depreciation	153	198
Facility related expenses	55	55
Professional and consulting services	17	275
Other costs	430	435
Total selling, general and administrative	\$ 1,549	\$ 1,920

20. 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. As of December 31, 2020, the Company did not have any debt outstanding and reported cash outflows from operations.

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.

Wi2Wi Corporation

Notes to Consolidated Financial Statements

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

The Company had significant exposure to several customers as of December 31, 2020 and December 31, 2019 as follows:

Customer	December 31, 2020		December 31, 2019	
	Revenue %	Trade Accounts Receivable %	Revenue %	Trade Accounts Receivable %
A	15%	37%	10%	17%
B	10%	7%	11%	17%
C	10%	11%	11%	7%

The Company has \$142 and \$52 in outstanding receivables over 90 days at December 31, 2020 and December 31, 2019, 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 fluctuating 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, 2020 the Company had accounts payable and accrued liabilities denominated in foreign currencies of CDN \$1 (2019- CDN \$41).

Price risk

The Company is not exposed to material price risk with respect to commodity or equity prices, other than the warrant liability (note 18).

21. Fair Value of Financial Assets and Liabilities

The Company's financial instruments at December 31, 2020 include cash, restricted cash, trade accounts receivable, Investment in Legend Oil and Gas Ltd., accounts payable, accrued liabilities, note payable 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 fair value of the note payable approximates carrying value as it bears a market rate of interest. 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

Wi2Wi Corporation
Notes to Consolidated Financial Statements
(All dollar amounts in thousands of U.S. dollars, unless otherwise noted)

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.

22. 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 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 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 have not been met at December 31, 2020, 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 consolidated statement of financial position.

The interest on the Facility is LIBOR (floor of 1%) plus 2.75%, with an annual "unused" fee of 25bps on the \$500, 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, 2021.

There have been no borrowings as of December 31, 2020 and 2019.

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.

23. Income Taxes

There is a \$0 tax provision and \$48 tax provision expense recorded for the years ended December 31, 2020 and 2019, 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,	2020	2019
Computed tax expense	\$ (125)	\$ 107
Nondeductible items and other	(120)	20
State taxes, net of federal benefit	(47)	(22)
Foreign rate differential	(1)	(16)
Tax rate change	(3)	0
True-ups	137	35
Credits	0	0
Deferred taxes not recognized	159	(172)
	\$ 0	\$ (48)

Wi2Wi Corporation

Notes to Consolidated Financial Statements

(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,	2020	2019
Accruals and reserves	\$ 379	\$ 352
Capitalized costs	86	86
Loss carryforwards	3,714	3,604
Credits	504	504
Total deferred tax assets	4,683	4,546
Deferred tax liabilities	(136)	(158)
Deferred tax not recognized	\$ 4,547	\$ 4,388

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 carry forwards and credit carry forwards 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) carry forwards and Canadian loss carry forwards of approximately \$10,883, \$16,104, and \$1,167 respectively, available to offset future taxable income at December 31, 2020, and approximately \$10,585, \$15,420, and \$1,146, respectively, at December 31, 2019. The U.S. federal NOL carry forwards will expire in 2030 for federal and 2029 for state, if not utilized. The Canadian loss carry forwards will expire beginning 2035, if not utilized.

24. 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,	2020	2019
Officer compensation	\$ 301	\$ 307
Share-based compensation	-	8
Benefits and other personnel costs	40	36
Share-based compensation current directors	23	24
Travel expenses current directors	2	15
	\$ 366	\$ 390

25. Subsequent events

The Company evaluates events that occur through the filing date and discloses any material events or transactions.

In the first quarter of 2021 the Company was able to get an Economic Injury Disaster Loan for \$150,000. The Company also qualified for and received another PPP Loan in the amount of \$550,000.