

Wi2Wi Corporation

Consolidated Financial Statements (Expressed in US Dollars)

Years Ended December 31, 2021 and 2020

Toronto, Canada
April 14, 2022

Wi2Wi Corporation

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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 statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 and 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

April 14, 2022
Vancouver, B.C.

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

| December 31, | 2021 | 2020 |
|---|------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,883 | \$ 1,239 |
| Restricted cash (Note 22) | 500 | 500 |
| Trade accounts receivable (Note 7) | 1,308 | 1,050 |
| Inventories (Note 8) | 2,756 | 3,308 |
| Investment in Legend Oil and Gas Ltd. | 3 | 9 |
| Prepaid expenses and other current assets | 174 | 180 |
| Total current assets | 6,624 | 6,286 |
| Property and equipment (Note 9) | 1,028 | 1,254 |
| Right of use assets (Note 10) | 2,948 | 3,493 |
| Total Assets | \$ 10,600 | \$ 11,033 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 354 | \$ 257 |
| Accrued liabilities (Note 12) | 359 | 292 |
| Current portion of lease obligations (Note 13) | 472 | 452 |
| Current portion of note payable (Note 15) | 55 | 54 |
| Total current liabilities | 1,240 | 1,055 |
| Lease obligations (Note 13) | 2,638 | 3,110 |
| Other liabilities | - | 51 |
| Economic Injury Disaster Loan (Note 14) | 150 | - |
| Note payable (Note 15) | 57 | 112 |
| Warrant liability (Note 18) | - | 7 |
| Total Liabilities | 4,085 | 4,335 |
| Shareholders' Equity | | |
| Common shares (Note 17) | 29,092 | 29,057 |
| Reserves (Note 18) | 3,835 | 3,849 |
| Accumulated other comprehensive loss | (2) | (2) |
| Accumulated deficit | (26,410) | (26,206) |
| Total shareholders' equity | 6,515 | 6,698 |
| Total Liabilities and Shareholders' Equity | \$ 10,600 | \$ 11,033 |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Zachariah Mathews, CEO and Director

/s/ Gary DuBroc, Chairman

Wi2Wi Corporation
Consolidated Statements of Income (Loss)
(In thousands of U.S. dollars, except net loss per share)

| For the years ended December 31, | 2021 | 2020 |
|---|-----------|-----------|
| Revenues | \$ 6,453 | \$ 6,928 |
| Cost of revenues (Notes 8, 9 and 14) | 5,174 | 5,862 |
| Gross profit | 1,279 | 1,066 |
| Operating expenses (Note 19) | | |
| Research and development (Notes 9 and 14) | 312 | 526 |
| Selling, general and administrative (Notes 9 and 14) | 1,534 | 1,549 |
| Change in fair value of investment in Legend Oil and Gas Ltd. | 6 | - |
| Total operating expenses | 1,852 | 2,075 |
| Loss from operations | (573) | (1,009) |
| Other income (Note 14) | 538 | 492 |
| Warrant liability revaluation (Note 18) | 7 | 76 |
| Interest income (expense) | (176) | (147) |
| Loss before income taxes | (204) | (588) |
| Provision for (benefit from) income tax (Note 23) | - | - |
| Net and comprehensive loss | \$ (204) | \$ (588) |
| Net loss per share, basic and diluted (Note 17) | \$ (0.00) | \$ (0.00) |

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 | | Reserves | Accumulated other comprehensive loss | Accumulated deficit | Total shareholders' equity |
|--|--------------------|------------------|-----------------|---|------------------------|----------------------------------|
| | Shares | Amount | | | | |
| Balances, December 31, 2019 | 152,078,407 | \$ 28,993 | \$ 3,866 | \$ (1) | \$ (25,618) | \$ 7,240 |
| Share-based compensation | 609,612 | 64 | (17) | - | - | 47 |
| Net and comprehensive loss | - | - | - | (1) | (588) | (589) |
| Balances, December 31, 2020 | 152,688,019 | \$ 29,057 | \$ 3,849 | \$ (2) | \$ (26,206) | \$ 6,698 |
| Share-based compensation | 245,294 | 35 | (14) | - | - | 21 |
| Net and comprehensive loss | - | - | - | - | (204) | (204) |
| Balances, December 31, 2021 | 152,933,313 | \$ 29,092 | \$ 3,835 | \$ (2) | \$ (26,410) | \$ 6,515 |

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, | 2021 | 2020 |
|---|----------|----------|
| Cash Flows from Operating Activities | | |
| Net loss for the year | \$ (204) | \$ (588) |
| Adjustments for non-cash items: | | |
| Depreciation and amortization | 822 | 880 |
| Share-based compensation | 21 | 47 |
| Change in fair value of investment in Legend Oil and Gas Ltd. | 6 | - |
| Warrant liability revaluation | (7) | (76) |
| Paycheck Protection Program Loan forgiven (Note 14) | (550) | (500) |
| Changes in non-cash working capital: | | |
| Trade accounts receivable | (258) | 188 |
| Inventories | 552 | (120) |
| Prepaid expenses and other current assets | 6 | 57 |
| Accounts payable | 97 | (438) |
| Accrued liabilities | 19 | (124) |
| Net Cash Provided by (Used in) Operating Activities | 504 | (674) |
| Cash Flows from Investing Activity | | |
| Additions to property and equipment | (51) | (166) |
| Net Cash Used in Investing Activity | (51) | (166) |
| Cash Flows from Financing Activities | | |
| Repayment of note payable | (57) | (57) |
| Proceeds of Economic Industry Disaster Loan | 150 | - |
| Proceeds of Paycheck Protection Program Loan | 550 | 500 |
| Lease payments | (452) | (543) |
| Net Cash Provided by (Used in) Financing Activities | 191 | (100) |
| Effects of exchange rate changes on cash | - | (1) |
| Net increase (decrease) in Cash | 644 | (941) |
| Cash, beginning of year | 1,239 | 2,180 |
| Cash, end of year | \$ 1,883 | \$ 1,239 |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ 177 | \$ 147 |
| Cash paid for income taxes | - | - |

There were no material non-cash financing nor investing activities in the years ended December 31, 2021 and 2020.

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’s shares trade on the TSX Venture Exchange under the symbol “YTY”.

On February 4, 2016, Wi2Wi LLC was organized in the State of Wisconsin, as 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 ensure 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 variations of the outbreak and related governmental or other regulatory actions.

2. Basis of Preparation

The consolidated financial statements are presented in U.S. dollars (USD) 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 consolidated 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 critical 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.

Substantially all of the assets of the Company are located in one geographic location, the United States.

These consolidated financial statements were authorized for issue by of the Board of Directors on April 14, 2022.

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 its capital to be comprised of the items included in the consolidated statements of changes in shareholders' equity, which totaled \$6,515 at December 31, 2021 (2020 - \$6,698). 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, 2021 and 2020.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can endeavor 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 2022. The cash in the restricted account is interest bearing.

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.

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 leases or estimated useful life of leaseholds, whichever is shorter.

Useful lives, residual values, and depreciation and amortization methods are reviewed at least annually, and any changes in previous estimates are accounted for prospectively.

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 the Company 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

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

difference is recognized as an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Impairment charges can be subsequently reversed based on a change in facts or circumstances 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 effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter 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 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.

Expected Credit Losses and 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

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Notes to Consolidated Financial Statements

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

credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date. Trade accounts receivable are stated net of the loss allowance.

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 and management's estimates include providing for 100% of specific customer balances when it is deemed probable that the balance is uncollectable.

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 aging and turnover, credit worthiness, credit concentration, the existence of third-party insurance, customer relationships, and forward looking macro-economic factors in the measurement of the expected credit losses associated with trade accounts receivable.

The Company measures expected credit losses by considering the risk of default over the contract period and incorporates forward-looking information into its measurement. Recoveries of trade accounts receivable previously written off are recorded in profit or loss when received.

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

| | 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 |
| Economic Injury Disaster Loan | 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 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.

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

Foreign Currency

The Company's presentation currency is the USD, being the currency in which revenue is generated and significant business activities are conducted. The functional currency of each of Wi2Wi Inc. and Wi2Wi LLC, is their local currency of USD. The functional currency of Wi2Wi (India) PRIVATE LIMITED 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 an 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, 2021 and 2020.

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 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 comprise accumulated other comprehensive loss 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, net of expected returns. The Company sells product directly to end customers as well as through distributors. 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. The Company sells 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:

- 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.

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Notes to Consolidated Financial Statements

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

Disaggregated Revenue

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

| For the years ended December 31, | 2021 | 2020 |
|----------------------------------|----------|----------|
| Product Family | | |
| Frequency Control | \$ 6,330 | \$ 6,840 |
| Connectivity | 123 | 88 |
| | \$ 6,453 | \$ 6,928 |

| For the years ended December 31, | 2021 | 2020 |
|--|----------|----------|
| Geographical location of the customer | | |
| United States | \$ 5,522 | \$ 5,922 |
| Foreign Countries | 931 | 1,006 |
| | \$ 6,453 | \$ 6,928 |

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, 2021 or 2020.

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, 2021 and 2020, respectively, did not satisfy the criteria and therefore were expensed.

Share-Based Compensation

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 compensation is recognized as an expense in profit or loss with a corresponding credit to reserves. Upon exercise of stock options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to reserves are allocated to common shares. 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 equity instrument granted.

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Notes to Consolidated Financial Statements

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

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. Restricted Share Units ("RSUs") may be settled in common shares, or a combination of common shares and cash at the option of Company.

The fair value of the 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 reserves. Fair value is determined as the average of the highest and lowest selling price of the Company's common shares on the day the RSUs are issued. Upon vesting of the RSUs the amount originally credited to reserves is allocated to common shares.

Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share 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 per share is determined by adjusting the earnings 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. Diluted loss per share is equivalent to basic loss per share, as the effect of including those 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.

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 rate method. It is remeasured when there is a change in future lease payments and/or lease term arising mainly if the Company changes its

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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 uses the following practical expedients permitted by the standard:

-the election not to recognize leases for which the underlying asset is of low value, or for short term leases, less than 12 months.

Investment tax credits and government grants

Government grants include COVID-19 wage subsidies and the benefits of government loans at below market rates of interest. Government assistance and COVID-19 grants are recognized when receipt of the assistance is reasonably assured. Reasonable assurance is determined based on the Company's past experience with claims and collections, and that the Company will comply with the conditions attaching to the grant. Grants related to current expenses are recognized in profit or loss.

5. New Accounting Policies

New standards and interpretations adopted January 1, 2021:

No new standards were effective for annual periods beginning on or after January 1, 2021, 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 preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statements of financial position and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Revisions to accounting estimates or judgments are recognized in the year in which they are revised and future periods if the revision affects both current and future years. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis, the Company has not identified any significant estimates. Significant judgments and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

Significant judgments in applying accounting policies

Inventories

Inventories are recorded at the lower of 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.

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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 may vary due to technical obsolescence. Details of the property and equipment useful lives are provided in Note 4.

7. Trade Accounts Receivable

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

| December 31, | 2021 | 2020 |
|--|----------|----------|
| Trade accounts receivable | \$ 1,316 | \$ 1,065 |
| Less provision for impairment of trade receivables | (8) | (15) |
| Trade receivables - net | \$ 1,308 | \$ 1,050 |

8. Inventories

| December 31, | 2021 | 2020 |
|------------------|----------|----------|
| Raw materials | \$ 1,529 | \$ 1,846 |
| Work in progress | 205 | 249 |
| Finished goods | 1,022 | 1,213 |
| Total | \$ 2,756 | \$ 3,308 |

For the year ended December 31, 2021, inventories recognized as an expense in cost of revenues amounted to \$2,143 (2020 - \$1,926). During the year, inventories were reviewed for obsolescence as part of ongoing operations and write-downs of \$224 (2020 - \$120) were recognized. As at December 31, 2021, accumulated deficit includes write-downs against inventories of \$1,344 (2020 - \$1,164).

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9. Property and Equipment

| | Machinery and Equipment | Computer Equipment and Software | Furniture and Fixtures | Leaseholds | Total |
|---------------------------------|-------------------------------|---------------------------------------|------------------------------|------------|----------|
| Cost | | | | | |
| 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 |
| Additions | 35 | 16 | - | - | 51 |
| At December 31, 2021 | \$ 2,672 | \$ 251 | \$ 89 | \$ 203 | \$ 3,215 |
| Accumulated Depreciation | | | | | |
| Balance, December 31, 2019 | \$ 1,273 | \$ 197 | \$ 87 | \$ 83 | \$ 1,640 |
| Additions | 226 | 8 | 1 | 35 | 270 |
| Balance, December 31, 2020 | 1,499 | 205 | 88 | 118 | 1,910 |
| Additions | 229 | 13 | - | 35 | 277 |
| At December 31, 2021 | \$ 1,728 | \$ 218 | \$ 88 | \$ 153 | \$ 2,187 |
| Net Carrying Amount | | | | | |
| At December 31, 2020 | \$ 1,138 | \$ 30 | \$ 1 | \$ 85 | \$ 1,254 |
| At December 31, 2021 | \$ 944 | \$ 33 | \$ 1 | \$ 50 | \$ 1,028 |

Depreciation for the year ended December 31, 2021 of \$277 (2020 - \$270) was included in Cost of revenues \$250 (2020-\$243), Research and development \$3 (2020-\$3) and Selling, general and administrative \$24 (2020-\$24) expenses.

Substantially all long lived assets of the Company are located in one geographic location, the United States.

10. Right Of Use Assets

| | Premises | Equipment | Total |
|---------------------------------|----------|-----------|----------|
| Cost | | | |
| Recognized January 1, 2020 | \$ 4,340 | \$ 379 | \$ 4,719 |
| Additions | - | - | - |
| Disposals | (679) | (133) | (812) |
| At December 31, 2020 | 3,661 | 246 | 3,907 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At December 31, 2021 | \$ 3,661 | \$ 246 | \$ 3,906 |
| Accumulated Depreciation | | | |
| Recognized January 1, 2020 | \$ 517 | \$ 99 | \$ 616 |
| Additions | 491 | 119 | 610 |
| Disposals | (679) | (133) | (812) |
| At December 31, 2020 | 329 | 85 | 414 |
| Additions | 505 | 40 | 545 |
| Disposals | - | - | - |
| At December 31, 2021 | \$ 834 | \$ 125 | \$ 959 |
| Net Carrying Amount | | | |
| At December 31, 2020 | \$ 3,332 | \$ 161 | \$ 3,493 |
| At December 31, 2021 | \$ 2,827 | \$ 121 | \$ 2,948 |

Depreciation for the year ended December 31, 2021 of \$545 (2020 - \$610) was included in Cost of revenues \$366 (2020-\$431), research and development \$53 (2020-\$53) and selling, general and administrative \$126 (2020-\$126) expenses.

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11. Related Parties

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

12. Accrued Liabilities

| December 31, | 2021 | 2020 |
|------------------------|---------------|---------------|
| Accrued compensation | \$ 242 | \$ 165 |
| Other accrued expenses | 117 | 127 |
| | \$ 359 | \$ 292 |

13. Lease Obligations

| | |
|---|-----------------|
| Lease obligations recognized at January 1, 2020 | \$ 4,105 |
| Leases entered into during the year | - |
| Lease payments | (636) |
| Interest expense on lease obligations | 93 |
| Lease obligations, December 31, 2020 | 3,562 |
| Leases entered into during the year | - |
| Lease payments | (621) |
| Interest expense on lease obligations | 169 |
| Lease obligations, December 31, 2021 | \$ 3,110 |

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 | 159 |
| Total undiscounted lease obligations | \$ 3,619 |
| Long term lease obligations | \$ 2,638 |
| Current portion of lease obligations | 472 |
| Lease obligations, December 31, 2021 | \$ 3,110 |

14. Paycheck Protection Program Loan, Injury Disaster Loan and Employee Retention Credit

In January 2021, the Company obtained a second Paycheck Protection Program Loan (PPP Loan) with the U.S. Small Business Administration in the amount of \$550 (April 2020 – first PPP Loan \$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

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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 August 25, 2021, (November 10, 2020 for first PPL Loan) and has been recognized as other income within profit or loss.

In January 2021 the Company also received an Economic Injury Disaster Loan (EIDL) in the amount of \$150. EIDL provides the necessary working capital to help small businesses impacted by a disaster survive until normal operations resume. This is provided by the U.S. Small Business Administration. Installment payments, including principal and interest, will begin thirty (30) months from the date of the promissory note. The balance of principal and interest will be payable thirty (30) years from the date of the promissory note. Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

In January 2021, the Company qualified for the Employee Retention Credit (ERC). ERC for the year ended December 31, 2021 of \$526 was included in cost of revenues \$381, research and development \$49 and selling, general and administrative \$96 expenses within profit or loss.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the CARES Act, including modifying and extending the ERC, for 2021.

As a result of the new legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through September 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter.

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. As of December 31, 2021, the carrying amount of the equipment was \$178.

| | | |
|---------------------------|----|------|
| Balance December 31, 2019 | \$ | 223 |
| Payments made | | (57) |
| Balance December 31, 2020 | | 166 |
| Payments made | | (54) |
| Balance December 31, 2021 | \$ | 112 |

Future minimum payments on the note payable are as follows:

| | | |
|--------------|----|-----|
| December 31, | | |
| 2022 | \$ | 55 |
| 2023 | | 57 |
| | \$ | 112 |

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16. Legal Proceedings

Accrual for Legal Proceedings and 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 without par value. 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 152,818,394 weighted average shares outstanding, for the year ended December 31, 2021. The basic and diluted loss per share has been calculated based on 152,404,420 weighted average shares outstanding, for the year ended December 31, 2020.

18. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2021, the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan). The number of common shares reserved for issuance may not exceed 16,096,084 common shares from time to time. Options are granted at an exercise price not less than the Discounted Market Price (as defined) 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, 2019 | 3,876,979 | \$ 0.12 |
| Options expired ¹ | (600,000) | 0.14 |
| Options expired ² | (80,000) | 0.15 |
| Options granted ² | 1,300,000 | 0.09 |
| Options outstanding at December 31, 2020 | 4,496,979 | 0.09 |
| Options expired | (5,479) | 0.46 |
| Options expired ³ | (1,850,000) | 0.14 |
| Options granted | - | 0.00 |
| Options outstanding at December 31, 2021 | 2,641,500 | \$ 0.06 |

1. Certain of these stock options, issued in Canadian dollars, were converted to USD at the June 30, 2020 exchange rate of 1.36.

2. Certain of these stock options, issued in Canadian dollars, were converted to USD at the December 31, 2020 exchange rate of 1.28.

3. Certain of these stock options, issued in Canadian dollars, were converted to USD at the December 31, 2021 exchange rate of 1.27.

The following table summarizes stock options outstanding and exercisable as of December 31, 2021:

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| Exercise Prices | Options Outstanding | Weighted Average Remaining Contractual Life | Options Exercisable |
|-------------------|---------------------|---|---------------------|
| 0.13 ¹ | 341,500 | .81 | 341,500 |
| 0.04 ² | 1,300,000 | 5.89 | 1,300,000 |
| 0.06 ³ | 1,000,000 | 4.49 | 1,000,000 |
| | 2,641,500 | 4.71 | 2,641,500 |

1. These stock options have an exercise price of Canadian \$0.17, converted to USD at the December 31, 2021 exchange rate of 1.27.

2. These stock options have an exercise price of Canadian \$0.045, converted to USD at the December 31, 2021 exchange rate of 1.27.

3. These stock options have an exercise price of Canadian \$0.075, converted to USD at the December 31, 2021 exchange rate of 1.27.

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 historical trading activity 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.

At grant date the Company used the following assumptions related to the stock price (Canadian \$0.045), exercise price (Canadian \$0.045) expected life (3.75 years), annual volatility (105%), and risk free interest rate (.25%), forfeiture rate (0.00%) and expected dividend rate (0.00%) to calculate the fair value of Canadian \$0.03 per option. Stock based compensation of \$31 was recognized in profit or loss.

Restricted Share Units (RSU's)

At December 31, 2021, the Company had the Wi2Wi Corporation Restricted Share Unit Plan, administered by the Board of Directors. The maximum number of Common shares which may be awarded is 5,000,000 and shall not, in combination with the Stock Option Plan exceed 20% of the issued and outstanding common shares. RSU's granted to employees, directors, officers and certain consultants vest as determined by the Board of Directors.

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, 2019 | 1,181,576 | \$ 0.11 |
| RSU's vested | (609,612) | 0.11 |
| RSU's outstanding at December 31, 2020 | 571,964 | 0.11 |
| RSU's forfeited | (326,670) | (0.11) |
| RSU's vested | (245,294) | 0.11 |
| RSU's outstanding at December 31, 2021 | - | \$ - |

RSUs are measured at fair value at the date of grant and are expensed over the vesting period with a corresponding increase in reserves. 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. At the vesting date accumulated compensation from the current and prior year of \$35 (2020 - \$64) was transferred from reserves to common shares.

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

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| December 31, | 2021 | 2020 |
|-------------------------------------|-------|-------|
| Selling, general and administrative | \$ 21 | \$ 47 |
| | \$ 21 | \$ 47 |

Warrants

The following table summarizes the warrants issued and outstanding by the Company as of December 31, 2021:

| | Warrants | Weighted Average Exercise Price |
|--|------------|------------------------------------|
| Warrants outstanding at December 31, 2019 | 12,274,674 | \$ 0.09 |
| Warrants outstanding at December 31, 2020 | 12,274,674 | 0.09 |
| Warrants outstanding at December 31, 2021 | 12,274,674 | \$ 0.09 |

In April 2017, the Company issued 12,499,674 warrants, with an exercise price of Canadian \$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 Canadian \$451 (\$337), which is a fair value of Canadian \$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 Canadian \$0 (\$0) at December 31, 2021 and Canadian \$9 (\$7) at December 31, 2020. The warrants expired on March 3, 2022 and were not exercised.

The Company uses the Black-Scholes option pricing model, to determine the fair value of the warrants. At December 31, 2020 the Company used assumptions related to the stock price (Canadian \$0.045), time to expiration (1.25 years), volatility (53.6%), and risk free interest rate (.2%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment. At December 31, 2021 the Company used assumptions related to the stock price (Canadian \$0.045), time to expiration (.25 years), volatility (54.3%), and risk free interest rate (0.91%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment.

The change in warrant liability fair value for the year ended December 31, 2021 of Canadian \$9 (-\$7) (2020 – Canadian \$96 (\$76) is recorded as warrant liability revaluation in profit or loss.

19. Expenses by Nature

| For the years ended December 31, | 2021 | 2020 |
|---------------------------------------|---------------|---------------|
| Research and Development | | |
| Compensation | \$ 299 | \$ 457 |
| Employee Retention Credit (Note 14) | (49) | - |
| Other costs | 62 | 69 |
| Total research and development | \$ 312 | \$ 526 |

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| | | |
|--|-----------------|-----------------|
| Selling, General and Administrative | | |
| Compensation | \$ 878 | \$ 894 |
| Business insurance | 154 | 133 |
| Depreciation | 152 | 153 |
| Audit and tax | 112 | 118 |
| Professional and consulting services | 98 | 17 |
| Facility related expenses | 66 | 55 |
| Software costs | 66 | 57 |
| Employee Retention Credit (Note 14) | (96) | - |
| Other costs | 104 | 122 |
| Total selling, general and administrative | \$ 1,534 | \$ 1,549 |

20. Financial Instrument Risks

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 will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company does not believe it has significant liquidity risk. As of December 31, 2021, the Company had working capital of \$5,384 and reported cash inflows from operations.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 cash, restricted cash and trade accounts receivable.

The Company had significant exposure to several customers as of December 31, 2021 and December 31, 2020 as follows:

| Customer | December 31, 2021 | | December 31, 2020 | |
|----------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Revenue % | Trade Accounts Receivable % | Revenue % | Trade Accounts Receivable % |
| A | 23% | 41% | 15% | 37% |
| B | 15% | 22% | 10% | 7% |
| C | 7% | 1% | 6% | 2% |

The Company has \$205 and \$142 in outstanding receivables over 90 days at December 31, 2021 and December 31, 2020, respectively.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company believes it has no significant market risk.

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Interest rate risk

Interest rate risk is the that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market 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 debt bearing interest at floating rates.

Foreign currency risk

The Company is exposed to minimal foreign currency risk due to the infrequency of transactions in currencies other than the USD. The Company does not use derivatives to hedge against this risk. At December 31, 2021 the Company had accounts payable and accrued liabilities denominated in foreign currencies of Canadian \$2 (2020 - Canadian \$1).

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, 2021 include cash, restricted cash, trade accounts receivable, Investment in Legend Oil and Gas Ltd., accounts payable, accrued liabilities, note payable, Economic Injury Disaster Loan, 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, and fair value of the Economic Injury Disaster Loan approximates carrying value as the interest rate approximates market rates. The investment in Legend Oil and Gas Ltd., and the warrant liability are measured at fair value.

When applicable, the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The 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 (the "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 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

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covenants have been suspended at December 31, 2021, 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.

Under the Credit Agreement interest is calculated at a rate equal to the sum of an index rate of interest plus a margin rate of interest. In the event any index rate of interest would be less than one percent (1.0%), then the index rate of interest shall be deemed to be one percent (1.0%) and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the margin rate of interest 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 on May 31, 2022.

There have been no borrowings as of December 31, 2021 and 2020.

23. Income Taxes

There is a \$0 tax provision and \$0 tax provision expense recorded for the years ended December 31, 2021 and 2020, 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, | 2021 | 2020 |
|--|---------|----------|
| Computed tax expense | \$ (42) | \$ (125) |
| Nondeductible items and other | (114) | (120) |
| State taxes, net of federal benefit | 169 | (47) |
| Foreign rate differential | (4) | (1) |
| Tax rate change | (1) | (3) |
| True-ups | - | 137 |
| Change in deferred tax assets not recognized | (8) | 159 |
| | \$ 0 | \$ 0 |

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

| December 31, | 2021 | 2020 |
|------------------------------------|----------|----------|
| Accrued liabilities | \$ 394 | \$ 379 |
| Capitalized costs | 88 | 86 |
| Loss carryforwards | 3,643 | 3,714 |
| Credits | 504 | 504 |
| Deductible temporary differences | 4,629 | 4,683 |
| Taxable temporary differences | (90) | (136) |
| Deferred tax assets not recognized | \$ 4,539 | \$ 4,547 |

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

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

will realize the benefits of these deductible differences, therefore the deferred tax assets have not been recognized.

The Company had U.S. federal and state net operating loss (NOL) carry forwards and Canadian loss carry forwards of approximately \$11,295, \$13,564, and \$1,252 respectively, available to offset future taxable income at December 31, 2021, and approximately \$10,883, \$16,104, and \$1,167, respectively, at December 31, 2020. 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 Company has determined that the key management personnel include both members of the Board of Directors and the senior leadership team, which includes the CEO and CFO. Remuneration of key management personnel is set out below in aggregate:

| For years ended December 31, | 2021 | 2020 |
|--|---------------|---------------|
| Officer compensation | \$ 239 | \$ 301 |
| Benefits and other personnel costs | 46 | 40 |
| Share-based compensation current directors | 15 | 23 |
| Travel expenses current directors | - | 2 |
| | \$ 300 | \$ 366 |