Wi2Wi Corporation

Consolidated Financial Statements
(Expressed in US Dollars)

Years Ended December 31, 2016 and 2015

Toronto, Canada
April 10, 2017

Wi2Wi Corporation

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Wi2Wi Corporation and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wi2Wi Corporation and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

BDO USA, LLP

April 10, 2017

Wi2Wi Corporation

Consolidated Statements of Financial Position

(In thousands of U.S. dollars)

December 31,		2016		2015
Assets				
Current Assets				
Cash	$	563	$	953
Restricted cash		500		-
Trade accounts receivable (Note 7)		1,754		1,879
Inventories (Note 8)		3,049		3,011
Deferred inventory costs		56		75
Investment in Legend Oil and Gas		32		62
Prepaid expenses and other current assets		254		208
Total current assets		6,208		6,188
Property and Equipment, Net (Note 9)		1,412		1,524
Total Assets	$	7,620	$	7,712
Liabilities				
Current Liabilities				
Accounts payable	$	801	$	936
Accrued liabilities (Notes 12 and 13)		1,047		1,070
Deferred revenue		125		170
Total current liabilities		1,973		2,176
Total Liabilities		1,973		2,176
Commitments and Contingencies (Note 14)				
Shareholder's Equity				
Common shares – no par value (Note 15)		28,317		28,317
Contributed surplus		3,783		3,679
Accumulated deficit		(26,453)		(26,460)
Total shareholders' equity		5,647		5,536
Total Liabilities and Shareholders' Equity	$	7,620	$	7,712

See Subsequent Events Note 24

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Michael R. Sonnenreich, Director

/s/ Zachariah Mathews, Director

Wi2Wi Corporation

Consolidated Statements of Income and Comprehensive Income

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

For the years ended December 31,		2016		2015
Revenues	$	10,045	$	14,306
Cost of revenues		6,844		9,773
Gross profit		3,201		4,533
Operating expenses (Note 17)				
Research and development		1,140		1,358
Selling, general and administrative		2,134		2,779
Changes in fair value of investment in Legend Oil and Gas		30		(27)
Total operating expenses		3,304		4,110
Income (loss) from operations		(103)		423
Other Income		138		-
Gain on conversion of Debt		-		1,335
Interest expense		(8)		(145)
Income before income taxes		27		1,613
Provision for (benefit from) income tax		20		(7)
Net Income and comprehensive income	$	7	$	1,620
Net Income per share, basic and diluted (Note 15)	$	0.00005	$	0.02

See Subsequent Event Note 24
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 Deficit	Total Shareholders' Equity
	Shares	Amount			
Consolidated Balances, January 1, 2015	**96,614,024**	**$ 25,824**	**$ 3,384**	**$ (28,080)**	**$ 1,128**
Conversion of secured subordinated debt to common shares (Note 10, 15)	30,570,082	2,093	-	-	2,093
Conversion of notes to common shares (Note 10, 15)	4,509,639	309	-	-	309
Issuance of common shares in settlement for claim (Note 15)	1,000,000	68	-	-	68
Conversion of liabilities to common shares (Note 15)	334,000	23	-	-	23
Share-based compensation expense	-	-	295	-	295
Net income and comprehensive income	-	-	-	1,620	1,620
Consolidated Balances, December 31, 2015	**133,027,744**	**$ 28,317**	**$ 3,679**	**$ (26,460)**	**$ 5,536**
Share-based compensation expense	-	-	104	-	104
Net income and comprehensive income	-	-	-	7	7
Consolidated Balances, December 31, 2016	**133,027,744**	**$ 28,317**	**$ 3,783**	**$ (26,453)**	**$ 5,647**

See Subsequent Event Note 24

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,	**2016**	**2015**
Cash Flows from Operating Activities		
Net income	$ 7	$ 1,620
Adjustments for non-cash items:		
Depreciation and amortization	212	239
Share-based compensation	104	295
Forgiveness of creditor payables	57	-
Gain on conversion of debt	-	(1,335)
Changes in fair value of investment in Legend Oil and Gas	30	(27)
Foreign exchange	-	(50)
Changes in assets and liabilities:		
Trade accounts receivable	125	1,569
Inventories	(38)	570
Deferred inventory costs	19	130
Prepaid expenses and other current assets	(46)	133
Accounts payable	(192)	(1,269)
Accrued liabilities	(23)	(1,021)
Income taxes	-	(71)
Deferred revenue	(45)	(241)
Net Cash Provided by Operating Activities	210	542
Cash Flows from Investing Activities		
Additions to property and equipment	(100)	(234)
Net Cash Used in Investing Activities	(100)	(234)
Cash Flows from Financing Activities		
Collateral for line of credit	(500)	-
Net Cash Used in Financing Activities	(500)	-
Net Increase (Decrease) in Cash	(390)	308
Cash, beginning of year	953	645
Cash, at end of year	$ 563	$ 953

See Subsequent Event Note 24

See accompanying notes to consolidated financial statements.

1. Nature and Description of the Company

Sargeant Bay Capital, Inc., a Canadian entity, was incorporated pursuant to the Canadian Business Corporations Act on July 9, 2004. On December 12, 2005, Sargeant Bay Capital, Inc. changed its name to Wi2Wi Corporation and became the legal parent of its wholly owned operating subsidiary, Wi2Wi Inc., a Delaware company, through a reverse takeover transaction. Wi2Wi Inc., headquartered in San Jose, California, was incorporated on April 29, 2005 and was mainly inactive until it acquired the original equipment manufacturing (OEM) products division of Actiontec Electronics on October 1, 2005. Together, Wi2Wi Corporation and Wi2Wi Inc. constitute the Company.

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), Indusrial Internet of Things (IIoT/M2M/Industry 4.0), Avionics, Space, Military and Industrial

On October 2, 2014, the Company entered into an asset purchase agreement with Precision Devices, Inc. ("Precision"), in Middleton, Wisconsin. Precision designs, manufactures, distributes and sells radio frequency products that include crystals, oscillators, filters and a whole range of frequency controllers. The Company received Toronto Stock Exchange Venture Exchange ("TSXV") approval on November 4, 2014.

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. The Wi2Wi Middleton business will operate under the Wi2Wi LLC structure.

On June 3, 2016, WI2WI (India) PRIVATE LIMITED was incorporated in India, as a wholly owned subsidiary of Wi2Wi, Inc. This is an engineering office for the wireless connectivity products which will work on developing new products.

2. Basis of Preparation

Statement of Compliance and Authorization

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

These consolidated financial statements have been authorized for issue by the Board of Directors on April 10, 2017.

Comparatives

Comparative figures for Investment in Legend Oil and Gas, $62, has been reclassified out of prepaid expenses and other current assets in 2015, to conform to the consolidated financial statement presentation for the current year.

3. Financial Condition

Although the Company has in the past experienced recurring losses, had negative working capital positions, debt obligations and difficulty raising funds, it has made significant improvements in those areas since November 2014 and is debt free as of December 31, 2016.

In April 04, 2017, the Company completed an equity financing for CAD$700, which is approximately $521. See discussion of the subsequent event at Note 24.

4. Significant Accounting Policies

Restricted Cash

As part of the collateral for a line of credit discussed in Note 20, 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 2017. (Note 20)

Trade Accounts Receivable

Management estimates a provision for impairment for collectability related to its trade accounts receivable balances. This provision is based on the customer relationships, the aging and turns of trade accounts receivable, credit worthiness of customers, credit concentrations and payment history. Management's estimates include providing for 100% of specific customer balances when it is deemed probable that the balance is uncollectable. Credit terms to customers vary between net 30 days and net 120 days. Although management monitors collections and credit worthiness, the inability of a particular customer to pay its debts could impact collectability of receivables and could have an impact on future revenues if the customer is unable to arrange other financing. Management does not believe these conditions are reasonably likely to have a material impact on the collectability of its receivables or future revenues. Recoveries of accounts receivables previously written off are recorded when received. Accounts receivable are stated net of the provision for impairment.

Inventories

Inventories are recorded at the lower of average cost (first in first out method) or net realizable value. As a supplier of system in package and modular products, inventory cost consists of amounts paid to the Company's contract manufacturers for product that is drop shipped to customers or shipped to the Company. Charges for excess and obsolete inventory are recorded based on inventory age, shipment history and forecasted demand. The markets that the Company serves can be volatile and actual results may vary from the Company's forecast or other assumptions, potentially impacting the Company's inventory valuation and resulting in material effects on its gross margin. The Company sells product directly to end customers as well as through distributors. Inventory at certain distributor locations is reported as deferred inventory costs and is recognized as cost of goods sold once the distributors have sold the product to a third party and revenue had been recognized.

Property and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight line method over estimated useful lives of:

- Three years for computer equipment and software
- Five years for office furniture and fixtures
- Five to ten years for machinery and equipment
- Over the term of lease or estimated useful life of leasehold improvement, whichever is shorter

Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

In accordance with IAS 36, Impairment of Assets, non-financial assets to be held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the Company must estimate the difference between the carrying amount of the asset and the recoverable amount. If the carrying amount exceeds the recoverable amount, the difference is recognized as an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment charges can be subsequently reversed if they no longer exist but cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in the prior years. No impairment charges have been recorded for any of the periods presented.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. All financial instruments are initially measured at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: fair value through profit and loss (FVTPL), held to maturity, loans and receivables, available for sale and other liabilities. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash	Loans and receivables	Fair value
Restricted cash	Loans and receivables	Fair value
Trade accounts receivable	Loans and receivables	Amortized cost
Investment in Legend Oil and Gas	FVTPL	Fair Value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. The Company will assess at each reporting period whether a financial asset is impaired. An impairment loss, if any, is included in income or loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision is calculated as the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported on a net basis, such provisions are recorded in a separate allowance account with the loss being recognized within selling, general and administrative expenses in the consolidated statements of income and comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

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

Income Taxes

The Company accounts for income taxes under IAS 12, Income Taxes, which requires an asset and liability approach to recording deferred taxes. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable income is probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enacted or substantively enacted date.

Management periodically reviews the Company's provision for income taxes and deferred tax assets and liabilities to determine whether the overall tax estimates are reasonable. When management performs its assessments, it may be determined that an adjustment is required. These adjustments, if required, may have a material impact on the Company's consolidated financial position and results of operations.

Foreign Currency

The Company's presentation and functional currency is the US dollar. The functional currency of the Company's self-sustaining foreign subsidiary, Wi2Wi Inc., is its local currency of US dollars. There were no transactions in 2016 in the WI2WI (India) PRIVATE LIMITED subsidiary.

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the years ended December 31, 2016 and 2015.

Revenue Recognition

The Company generates revenue through direct sales to its customers as well as through distributors. In accordance with IAS 18, Revenue, the Company recognizes revenue when the following fundamental criteria are met:

(i) the significant risks and rewards of ownership of the goods have transferred to the buyer;
(ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

For certain distributors the Company does not recognize revenues until the distributors have sold the product to a third party, and the right of return or price protection has lapsed. Product shipped to these distributors, which has not yet sold through to a third party, is reported as deferred revenue, with the associated cost reported as deferred inventory costs, on the consolidated statements of financial position.

Research and Development

Pursuant to IAS 38, Intangible Assets, research costs are expensed and development costs are capitalized as an asset if certain criteria are satisfied. The development costs incurred in the three months and years ended December 31, 2016 and 2015, respectively, did not satisfy the criteria and therefore were expensed.

Share-Based Payments

The Company has a stock option plan and issues stock options to directors, employees and other service providers. This fair value of options granted is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. All share-based remuneration is ultimately recognized as an expense in the consolidated statements of Income and Comprehensive Income with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to contributed surplus are allocated to share capital. Where equity instruments are granted to persons other than employees, the consolidated statement of Income and Comprehensive Income is charged with the fair value of goods and services received.

Compensation costs attributable to stock options granted are measured at fair value at the date of grant and are expensed over the vesting period, using a graded vesting schedule, with a corresponding increase in contributed surplus.

Product Warranty

The Company offers a standard one-year product replacement warranty on its connectivity solutions. The Company assesses the level and materiality of return material authorizations and determines the estimated returns for defective products at the time revenue is recognized. On occasion, management may determine to accept product returns beyond the standard one-year warranty period. In those instances, the Company accrues for the estimated cost at the time the decision to accept the return is made. As a consequence of the Company's standardized manufacturing processes and product testing procedures, returns of defective product are infrequent and the quantities have not been significant. Accordingly, historical warranty costs have not been material. Actual claim costs may differ from management's estimates. There was no accrual warranty costs at December 31, 2016 or 2015.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2016, have had or expected to have a material effect on the consolidated financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

New standards and interpretations not yet adopted:

In 2014, the IASB issued IFRS 15"Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled end in exchange for those goods or services, as well as, a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard becomes effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of this new standard.

In 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier adoption is permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

In 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows ("IAS 7"). The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The adoption of IAS 7 amendments will require additional disclosure in the Company's consolidated financial statements.

In 2016, the IASB issued IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22"), which provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. On initial application, entities have the option to apply either retrospectively or prospectively. The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

In 2016, the IASB issued the final amendments to IFRS 2, Share-based Payments ("IFRS 2") that clarify the classification and measurement of share-based transactions, consisting of: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. The Company is in the process of evaluating the impact of adopting these amendments on the consolidated financial statements.

6. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

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

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including property, plant and equipment at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of the property and equipment useful lives are provided in Note 4.

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,		2016		2015
Trade accounts receivable	$	1,810	$	2,009
Less provision for impairment of trade receivables		(56)		(130)
Trade receivables - net	$	1,754	$	1,879

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

8. Inventories

Inventories consist of:

December 31,		2016		2015
Raw materials (gross)	$	1,904	$	1,845
Inventory write-down		(336)		(29)
Raw materials (net)		1,568		1,816
WIP Inventory		214		279
Finished goods (gross)		1,497		1,228
Inventory write-down		(230)		(312)
Finished goods (net)		1,267		916
Total	$	3,049	$	3,011

9. Property and Equipment, Net

		Machinery and Equipment		Computer Equipment and Software		Furniture and Fixtures		Leaseholds		Total
Cost										
At December 31, 2015	$	1,933	$	167	$	88	$	50	$	2,238
Additions		77		17		1		5		100
At December 31, 2016	$	2,010	$	184	$	89	$	55	$	2,338
Accumulated Depreciation										
Balance, December 31, 2015	$	512	$	113	$	78	$	11	$	714
Additions		178		20		2		12		212
At December 31, 2016		690		133		80		23		926
Net Book Value										
At December 31, 2015	$	1,421	$	54	$	10	$	39	$	1,524
At December 31, 2016	$	1,320	$	51	$	9	$	32	$	1,412

10. Debt

Note Payable

The Company had a CAD$500 unsecured promissory note with Norton Rose Fulbright Canada LLP, a creditor of the Company, at a 10% annual interest rate and December 31, 2015 maturity date. The Company, on September 30, 2015, concluded a settlement agreement whereby the unsecured promissory note and accrued interest, along with certain other amounts owed to the creditor, were exchanged for shares at a deemed price of CAD$0.1275 per share. The total principal and interest converted to common shares was $534. 4,509,639 shares were issued on October 28, 2015 in settlement of these liabilities (Note 15). The fair market value of the settlement as measured on the date the shares were issued was $309, resulting in a gain on settlement of $225. The balance of the other amounts owed to the creditor under the settlement agreement were paid in full in 2016. Part of the settlement agreement included a provision that the final CAD$75 owed to the creditor would be waived when all other payments had been made in full. The final CAD$99 ($75) was waived by the creditor in 2016 and recorded as other income in 2016.

Secured subordinated convertible debenture

As part of the purchase price for the acquisition of Precision assets in 2014, the Company issued a secured subordinated convertible debenture for $2.5 million (the Debenture). The Debenture had a maturity date of November 4, 2015 and interest rate of 10.25% per annum payable on the maturity date of the Debenture. The holder of the Debenture (the "Holder") had the right to convert all or any part of the principal amount outstanding under the Debenture into common shares of the Company at a conversion price of CAD$0.25 per share.

The conversion option was considered to be a derivative because the conversion feature was in CAD$, which is different than the Company's functional currency USD$. The derivative was bifurcated and recorded as a derivative liability. A fair value measurement was completed at the time the convertible debt was issued, and fair value of the derivative liability was updated at each reporting date through the date of conversion, at which time the derivative liability no longer existed.

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

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

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

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

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

30,570,082 common shares of the Company were issued to the Holder on October 28, 2015 (Note 15) as consideration for the Debt. The common shares issued in the settlement represent a deemed price of CAD$0.1275 per common share representing the "Discounted Market Price", as defined under TSXV policies, based on the closing price of the Wi2Wi common shares on the TSXV on June 18, 2015. The fair market value of the settlement, as measured on the date the shares were issued, was $2,093, resulting in a gain on settlement of $1,100 for 2015, which was recorded as gain on conversion of debt on the consolidated statement of income and comprehensive income.

11. Related Parties

The Company incurred expenses related to travel by directors and officers of $4 and $16 in the three months period ending December 31, 2016 and 2015 respectively and $25 and $52 in the twelve month period ending December 31, 2016 and 2015 respectively.

The Company issued 4,509,639 shares on October 28, 2015 in settlement of liabilities to Norton Rose Fulbright Canada LLP. The Company incurred expenses for legal services of $107 in the year ended December 31, 2015. No expenses were incurred with Norton Rose Fulbright in 2016. At December 31, 2015 the Company had payables of

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

$158 to Norton Rose Fulbright Canada, and at December 31, 2016 there were no amounts due to Norton Rose Fulbright.

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

12. Accrued Liabilities

Accrued liabilities consist of:

December 31,	2016	2015
Accrued compensation	$ 204	$ 230
Accrual for legal proceedings (Note 13)	781	781
Accrual for legal and professional fees	-	26
Other accrued expenses	62	33
	$ 1,047	$ 1,070

13. Legal Proceedings

Accrual for Legal Proceedings

A former Company executive has asserted a claim of $4,400 against certain directors of the Company for damages incurred as a result of the claimed lost value of Plaintiff's investment, including Class B Convertible Preferred Shares.

The Quebec Superior Court of Justice rendered judgment on January 28, 2014 whereby two former directors were found liable and ordered to pay $648 plus interest and additional indemnity as of July 6, 2010, totaling $781. The claim against the other two former directors was dismissed. On August 19, 2015, the Quebec Court of Appeal dismissed an appeal to overturn the Quebec Superior Court order and dismiss the claim as a whole. A former director then sought leave to appeal to the Supreme Court of Canada with such leave granted on April 7, 2016. The Company is not aware as to when the Supreme Court of Canada will hear such appeal and render a final decision.

The Directors and Officers insurer ("D&O") has taken the position that this matter falls under an exclusion of the otherwise applicable D&O policy. The Company has also received legal advice to the effect that, in certain circumstances, it may not have an obligation to indemnify the former directors. The Company is in the process of evaluating its options and has reserved $781 as at December 31, 2016 and 2015 in connection with this matter.

In a separate matter, the Company, on October 30, 2014, received a complaint filed in the Superior Court for the State of California by a different former executive of the Company, for breach of contract, labor code violation, termination in violation of public policy, breach of the covenant of good faith and fair dealing. On August 25, 2015, the Company settled the claim and agreed to pay $325 and issued 1,000,000 common shares of the Company. The $325 was paid in 2015, and the shares, with a fair value of $68, were issued on October 28, 2015 (Note 15).

From time to time, third parties have asserted, and may in the future assert claims against the Company related to disputes in the normal course of business. At this time, there are no such claims against the Company which are expected to be material to the Company's results of operations or financial condition.

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

14. Commitments and Contingencies

Leases

San Jose, CA
The Company leases its offices in San Jose and is required to pay its pro-rata share of all executory costs such as building maintenance and insurance. On August 5, 2015, the Company entered a new lease for reduced space, and new monthly lease payments beginning at that time were reduced from $12 to $4. The lease will expire on July 31, 2017.

Middleton, WI
The Company leases the 38,000 square foot Middleton facility from PDI Properties, LLC. In May 2015, an automatic 5 year extension of the lease took effect, and the lease now expires in May 2020. The lease requires the payment of property taxes, utilities, normal maintenance, and general liability insurance.

The future minimum lease payments under the non-cancellable operating leases and the extension thereof, expiring in July 31, 2017, for San Jose location, and May 15, 2020 for Middleton location are as follows:

Year	Amount
2017	493
2018	508
2019	523
2020	176
Total	**$1,700**

Operating Leases

From time to time, the Company enters into operating leases for equipment. The lease terms range from 24 to 36 months, at the end of which the Company can purchase the equipment at fair market value to be determined at that time, return the equipment, or extend the lease for a further term based on the fair market value at the maturity date.

The future minimum lease payments as of December 31, 2016 under the non-cancellable operating leases, are as follows:

Year	Amount
2017	$ 103
2018	94
2019	71
Total	**$ 268**

15. Share Capital

The Company considers the items included in the consolidated statements of changes in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There have been no changes in the Company's definition of capital or capital management objectives during the periods ended December 31, 2016, and 2015.

Common Shares

The authorized capital stock of the Company consists of an unlimited number of common shares. Holders of common shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Per Share Calculation

The basic and diluted income per share has been calculated based on 133,027,744 and 102,988, 896 weighted average number of common shares outstanding for the years ended December 31, 2016 and 2015.

Private placement

The Company announced on February 27, 2014 closing of first tranche of its non-brokered private placement Offering, issuing 2,175,000 units at a price of CAD$0.20 (approximately $0.18) per Unit. A Unit consist of one common share of the Company and one half of one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of CAD$0.25 per share.

On April 30, 2014, the Company received acceptance for filing documentation, the final number of shares issued amounted to 2,706,834, along with 1,480,726 warrants attached to those shares, for gross proceeds of $474. The value of the warrants at the issuance date was $46 and the remaining $428 was allocated to the common stock. The fair value of the warrants at December 31, 2015 was nominal. The warrants were not exercised and the expired on April 30, 2016.

Conversion of certain obligations to common hares

On October 28, 2015, the Company issued:

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

II. 4,509,639 common shares for the conversion of note payable and certain other trade obligations to a creditor of the Company, total amounting to $534, at a deemed price of CAD$0.1275 per share. The fair market value of the settlement as measured on the date the shares were issued was $309, resulting in a gain on settlement of $225.

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

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

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

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

16. Share-Based Payments and Warrants

Stock Option Plan

At December 31, 2016, the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan).

Options are granted at an exercise price not less than the fair value of the Company's shares at the date of grant. Options granted to employees, directors, officers and certain consultants have an expiration date that is up to 10 years from the grant date, generally vest over periods of up to 48 months as determined by the Board of Directors.

The following table summarizes the stock option:

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2014	12,777,587	$ 0.20
Options forfeited or expired[1]	(3,429,444)	0.22
Options granted[2]	3,057,500	0.12
Options outstanding at December 31, 2015	12,405,643	$ 0.14
Options forfeited or expired[3]	(4,008,201)	0.16
Options granted[4]	200,000	0.13
Options outstanding at December 31, 2016	8,597,442	$ 0.14

1. Certain of these stock options, issued in Canadian dollars, were converted to US$ at the December 31, 2015 exchange rate.
2. These stock options were issued at CAD$0.17 converted to US$ at the December 31, 2015 exchange rate for disclosure purposes.
3. Certain of these stock options, issued in Canadian dollars, were converted to US$ at the December 31, 2016 exchange rate.
4. These stock options were issued in CDN$0.17 converted to US$ at the December 31, 2016 exchange rate of 1.3478.

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

The following table summarizes stock options outstanding and exercisable as of December 31, 2016:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
$ 0.13[1]	6,814,500	5.29	3,810,630
0.15[2]	1,415,824	3.47	1,342,371
0.46	27,396	4.73	27,396
0.34	219,176	2.84	219,176
0.23	120,546	1.58	120,546
			-
	8,597,442	4.87	5,520,119

1. These stock options have an exercise price of CAD$0.17 and have been converted to US$ at the December 31, 2016 exchange rate of 1.3478 for disclosure purposes here.
2. These stock options have an exercise price of CAD$0.195 and have been converted to US$ at the December 31, 2016 exchange rate of 1.3478 for disclosure purposes here.

The fair value of each employee option is estimated on the date of grant using the Black-Scholes option valuation model and expensed using a graded-method over the related service period. The Company estimates its expected stock price volatility using an average historical volatility of a group of similar publicly traded companies over a period equal to the expected term of options granted. The Company estimates the expected term of options granted as being the time from grant to vest plus the midpoint of the time from vest to option expiration. The risk-free interest rate for periods within the contractual life of the option is based on U.S Treasury zero-coupon rates for the estimated holding period.

The value of the Company's stock options granted under its stock option plan at the date of grant using the Black- Scholes option pricing model with the following assumptions:

	2016	2015
Expected life range	4.5 years	4.5 years
Risk-free interest rate	0.50%	0.50%
Volatility range	75%	75%
Dividend yield	-	

Share-based compensation expense is charged to research and development and selling, general and administrative, as follows:

December 31,	2016	2015
Research and development	$ -	$ 20
Selling, general and administrative	104	275
	$ 104	$ 295

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

Warrants

The following table summarizes the warrants issued by the Company as of December 31, 2016:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2014	3,935,234	$ 0.37
Warrants expired[1]	(1,000,000)	0.32
Warrants outstanding at December 31, 2015	2,935,234	0.34
Warrants expired[2]	(2,617,430)	0.38
Warrants outstanding at December 31, 2016	**317,804**	**$ 0.43**

1. The exercise price of these warrants is CAD$0.25, which is converted to US$ at the December 31, 2015 exchange rate for presentation in this table.
2. The exercise price of these warrants is CAD$0.25and CAD$0.45, which is converted to US$ at the December 31, 2016 exchange rate for presentation in this table.

At December 31, 2016 the Company had no warrants accounted for as liabilities. At December 31, 2015 the Company had 1,740,726 warrants accounted for as liabilities. 1,480,726 of those warrants were issued in connection with a 2014 private placement. See Note 15 for further discussion. 260,000 of those warrants were issued in 2013. The exercise price of these warrants is denominated in Canadian currency and since that is different than the Company's functional currency, the warrants are liabilities. At December 31, 2015, the liability is was nominal. These warrants expired unexercised in 2016.

The remaining outstanding warrants are accounted for as equity instruments. 876,704 expired unexercised in 2016, and the remaining 317,804 expire at various dates through 2018.

Summarized information about warrants as of December 31, 2016 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
$			
0.34	87,670	0.22	87,670
0.46	65,752	0.22	65,752
0.46	164,382	1.10	164,382
	317,804	0.68	317,804

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

17. Expenses by Nature

For the years ended December 31,	2016	2015
Research and Development		
Compensation	$1,015	$1,248
Other costs	125	110
Total research and development	**$1,140**	**$1,358**
Selling, General and Administrative Expenses		
Compensation	$ 901	$1,775
Depreciation and amortization	41	54
Facility related expenses	205	206
Professional and consulting services	290	499
Other costs	697	245
Total selling, general and administrative	**$2,134**	**$2,779**

18. Business Risks and Concentrations

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk and credit risk.

Liquidity Risk

Although the Company has in the past experienced recurring losses, had negative working capital positions, debt obligations and difficulty raising funds, it has made significant improvements in those areas since November 2014 and is debt free as of December 31, 2016.

In April 04, 2017, the Company completed an equity financing for CAD$700, which is approximately $521. See discussion of the subsequent event at Note 24.

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Credit Risk

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

	December 31, 2016		December 31, 2015	
Customer	Revenue %	AR %	Revenue %	AR %
A	15%	18%	16%	30%
B	10%	17%	5%	3%
C	8%	13%	0%	0%

The Company has $105 and $389 in outstanding receivables over 90 days at December 31, 2016 and 2015, respectively.

19. Fair Value of Financial Assets and Liabilities

The Company's financial instruments at December 31, 2016 include cash, accounts receivable, accounts payable. The carrying values of these financial instruments approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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

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

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

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

The Company holds shares in Legend Oil and Gas Limited. The fair value of these shares held by the Company are valued at market quoted prices of $32 and $62 at December 31, 2016 and 2015, respectively.

20. Line of Credit

On March 18, 2016 the Company entered into a new $ 2 million revolving credit facility ("Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the agreement, the Company is required to deposit $500 with the bank to serve as collateral for the Facility, and that $500 is presented as restricted cash on the consolidated statement of financial position. Borrowings up to $500 are available until the Company meets two financial covenants (defined below), fully collateralized by the deposit. Once the financial covenants are met, the collateral of $500 will be returned to the Company. From that point, borrowings are limited based on a percentage of trade accounts receivable and inventories. The financial covenants were not met at the end of any quarter of 2016 and it is unknown if the Facility will be available for any portion of 2017.

The interest on the Facility is LIBOR plus 3%, with an annual standby charge of 0.25%, charged quarterly. The Company has granted a security interest to Wells Fargo in all the property of the Company. Interest only payments are due monthly with the principal due at maturity, which will be May 31, 2017. There have been no borrowings as of December 31, 2016.

Financial covenants:

(a) Balance sheet leverage of less than or equal to 3, defined as total liabilities divided by tangible net worth tested on a quarterly basis.
(b) Minimum net income greater than one dollar, tested on a quarterly basis on a rolling twelve month basis.

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

21. Income Taxes

There is a $20 tax provision expense and $(7) tax benefit recorded for the years ended December 31, 2016 and 2015, respectively. The total income tax expense (benefit) differs from the amounts computed by applying the statutory federal income tax rate of 34% as follows:

For the years ended December 31,		2016		2015
Computed tax expense	$	9	$	548
Nondeductible items and other		29		25
State taxes, net of federal benefit		1		268
Foreign rate differential		39		(68)
Tax rate change		(14)		70
True-ups		569		(896)
Credits		12		336
Deferred taxes not recognized		(625)		(290)
	$	20	$	(7)

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities are as follows:

December 31,		2016		2015
Accruals and reserves	$	580	$	567
Capitalized costs		73		527
Loss carryforwards		5,188		5,368
Credits		526		512
Total deferred tax assets		6,366		6,974
Deferred taxes not recognized		(6,071)		(6,696)
Total deferred tax assets net of write-downs		295		278
Total deferred tax liabilities		(295)		(278)
Net deferred tax assets	$	-	$	-

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

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

The Company had U.S. federal and state net operating loss (NOL) carryforwards and Canadian loss carryforward of approximately $11,949, $16,050, and $713,270, respectively, available to offset future taxable income at December 31, 2016, and approximately $12,667, $16,972, and $272, respectively, at December 31, 2015. The U.S. federal NOL carryforwards will expire beginning 2027, if not utilized. The state NOL carryforwards will expire beginning 2017, if not utilized. The Canadian loss carryforwards will expire beginning 2035, if not utilized.

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

22. Key Management Personnel Compensation

For years ended December 31,	2016	2015
Officer compensation	$ 387	$ 357
Benefits and other personnel costs	19	13
Share based payments-directors and officers	-	264
	$ 406	$ 634

23. Supplemental Disclosure of Cash Flow Information

For the years ended December 31,	2016	2015
Interest paid	$ 8	$ -
Non cash investing and financing activities:		
Common shares issued to settle certain liabilities	$ -	$ 2.493

24. Subsequent events

On April 4, 2017, the Company announced a non-brokered private placement for proceeds of CAD$700, which is approximately USD$521. The Company has not paid any finder's fees or commissions in connection with the offering. The capital raised will be used to develop new products from its Wireless Connectivity and Frequency Control Device product lines to address the Internet of Things (IoT), Industrial Internet of Things (IIoT/M2M), Avionics, Space and Military markets.

The Company issued 12,499,674 units ("Units") at a price of CAD$0.056 per Unit (the "Purchase Price"). Each Unit consists of one common share of the Company ("Common Shares") and one common share purchase warrant (a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one Common Share at an exercise price of CAD$0.11 per share for a period of five years following the issuance date, so through April 2022. The Unit price was arrived at by using the maximum allowable discount of 25% on the closing price on the Company's common stock as of February 16, 2017, which was CAD$0.075.

The CAD$700 is being held in escrow. The majority of the funding was from the board of directors and from the current investors. The share and warrant certificates are being distributed to the participants and the Company expects to complete the private placement, and have the CAD$700 released from escrow to the Company no later than April 14, 2017.