

Wi2Wi Corporation

Condensed Consolidated Interim Financial Statements (Unaudited, expressed in US Dollars)

Three Month Period Ended June 30, 2018 and June 30, 2017

Notice to Reader

These condensed consolidated interim financial statements of Wi2Wi Corporation for the three months ended June 30, 2018 have been prepared by Management and were authorized for issue in accordance with a resolution of the Board of directors on August 21, 2018. Wi2Wi Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entities auditors.

Toronto, Canada
August 21, 2018

Wi2Wi Corporation

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Wi2Wi Corporation

Unaudited Condensed Consolidated Interim Statements of Financial Position (In thousands of U.S. dollars)

	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash	\$ 2,017	\$ 1,651
Restricted cash (Note 19)	500	500
Trade accounts receivable(Note 7)	1,278	1,569
Inventories (Note 8)	2,763	2,745
Investment in Legend Oil and Gas	17	24
Prepaid expenses and other current assets	248	198
Total current assets	6,823	6,687
Property and Equipment, Net (Note 9)	1,316	1,419
Total Assets	\$ 8,139	\$ 8,106
Liabilities		
Current Liabilities		
Accounts payable	\$ 579	\$ 794
Accrued liabilities (Notes11 and12)	628	436
Total current liabilities	1,207	1,230
Warrant liability (Note 15)	866	866
Total Liabilities	2,073	2,096
Commitments and Contingencies (Note 13)		
Shareholder's Equity		
Common shares – no par value (Note 14)	28,514	28,502
Contributed surplus	3,859	3,831
Accumulated other comprehensive loss	(4)	(6)
Accumulated deficit	(26,303)	(26,317)
Total shareholders' equity	6,066	6,010
Total Liabilities and Shareholders' Equity	\$ 8,139	\$ 8,106

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Zachariah Mathews, CEO and Director/s/ Dawn Leeder, CFO

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Income and Comprehensive Income (In thousands of U.S. dollars, except net income per share)

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Revenues	\$ 2,437	\$ 2,568	\$ 4,860	\$ 4,922
Cost of revenues	1,732	1,789	3,456	3,460
Gross profit	705	779	1,404	1,462
Operating expenses (Note 16)				
Research and development	174	248	381	507
Selling, general and administrative	520	500	996	905
Changes in fair value of investment in Legend Oil and Gas	(4)	(6)	6	8
Total operating expenses	690	742	1,383	1,420
Income (loss) from operations	15	37	21	42
Other Income (Expense)	(6)	(7)	(7)	(10)
Interest Income (Expense)	-	-	-	-
Income before income taxes	9	30	14	32
Provision for income tax	-	20	-	20
Net Income and comprehensive income	\$ 9	\$ 10	\$ 14	\$ 12
Net Income per share, basic and diluted (Note 14)	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity (In thousands of U.S. dollars, except per share data)

	Common Shares		Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
Consolidated Balances, January 1, 2016	133,027,744	\$ 28,317	\$ 3,679	\$ -	\$ (26,460)	\$ 5,536
Share-based compensation expense	-	-	104	-	-	104
Net income and comprehensive income	-	-	-	-	7	7
Consolidated Balances, December 31, 2016	133,027,744	\$ 28,317	\$ 3,783	\$ -	\$ (26,453)	\$ 5,647
Share-based compensation expense	-	-	30	-	-	30
Issuance of common shares in private placement (Note 14)	12,499,674	185	-	-	-	185
Net income and comprehensive income	-	-	-	-	12	12
Consolidated Balances, June 30, 2017	145,527,418	\$ 28,502	\$ 3,813	\$ -	\$ (26,439)	\$ 5,876
Share-based compensation expense	-	-	18	-	-	18
Issuance of common shares in private placement (Note 14)	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	(6)	-	(6)
Net income and comprehensive income	-	-	-	-	122	122
Consolidated Balances, December 31, 2017	145,527,418	\$ 28,502	\$ 3,831	\$ (6)	\$ (26,317)	\$ 6,010
Share-based compensation expense	-	-	28	-	-	28
Warrants exercised to common shares (Note 15)	136,000	12	-	-	-	12
Accumulated other comprehensive loss	-	-	-	2	-	2
Net income and comprehensive income	-	-	-	-	14	14
Consolidated Balances, June 30, 2018	145,663,418	\$ 28,514	\$ 3,859	\$ (4)	\$ (26,303)	\$ 6,066

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

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

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	2018	2017
Cash Flows from Operating Activities				
Net income	\$ 9	\$ 10	\$ 14	\$ 12
Adjustments for non-cash items:				
Depreciation and amortization	63	32	126	86
Share-based compensation	13	16	28	30
Changes in fair value of Legend Shares	(4)	(7)	7	8
Changes in assets and liabilities:				
Trade accounts receivable	(27)	(92)	291	316
Inventories	(101)	285	(18)	254
Deferred inventory costs	-	10	-	30
Prepaid expenses and other current assets	22	38	(50)	(32)
Accounts payable	(87)	1	(215)	(4)
Accrued liabilities	211	412	192	376
Deferred revenue	-	(27)	-	(53)
Net Cash Provided by Operating Activities	99	678	375	1,023
Cash Flows from Investing Activities				
Additions to property and equipment	(6)	(107)	(23)	(123)
Net Cash Used in Investing Activities	(6)	(107)	(23)	(123)
Cash Flows from Financing Activities				
Issuance of common shares	-	185	12	185
Net Cash Provided by Financing Activities	-	185	12	185
Effects of exchange rate changes on cash and cash equivalents	2	2	2	2
Net Increase in Cash	95	758	366	1,087
Cash, beginning of period	1,922	1,392	1,651	1,063
Cash, at end of period	\$ 2,017	\$ 2,150	\$ 2,017	\$ 2,150

See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

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

Wi2Wi is a vertically integrated manufacturer providing wireless connectivity solutions, precision timing devices, frequency control products and microwave filters to the global market addressing various applications in the market segments; Internet of Things (IoT), Industrial Internet of Things (IoT/M2M/Industry 4.0), Avionics, Space, Military and Industrial.

On February 4, 2016, Wi2Wi LLC was organized in the State of Wisconsin, a wholly owned subsidiary of Wi2Wi Inc. to conduct all or a portion of the Company's business in the State of Wisconsin.

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

2. Basis of Preparation

Statement of Compliance and Authorization

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under IAS 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB). These unaudited condensed consolidated interim financial statements do not include all the information and notes required by IFRS for annual financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements and notes for the Company's year ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The	unaudited	condensed consolidated	interim
financial statements include the financial statements of Wi2Wi Corporation and its wholly owned subsidiaries, Wi2Wi Inc.,	Wi2Wi LLC	and	Wi2Wi (India) PRIVATE LIMITED.
All intercompany balances and transactions have been eliminated on consolidation.			

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

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements of Wi2Wi Corporation for the three months ended June 30, 2018 have been prepared by Management and were authorized for issue in accordance with a resolution of the Board of Directors on August 17, 2018. Wi2Wi Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entities auditors.

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

3. Financial Condition

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

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

As of June 30, 2018 the company is debt free and cash flow positive.

4. Significant Accounting Policies

Restricted Cash

As part of the collateral for a line of credit discussed in Note 19, the Company was required to deposit \$500 in a restricted account with the bank to repay any borrowings under the Facility. The cash collateral will be returned to the Company once certain financial covenants are met for the \$2 million revolving facility, or when the facility terminates in May 2019. The cash in the restricted account is interest bearing.

Trade Accounts Receivable

Management estimates a provision for impairment for collectability related to its trade accounts receivable balances. This provision is based on the customer relationships, the aging and 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.

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

Property and Equipment

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

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

Useful lives and amortization methods are reviewed annually.

Impairment of Non-Financial Assets

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

Financial Instruments

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

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

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. The Company will assess at each reporting period whether a financial asset is impaired. An impairment loss, if any, is included in income or loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable. The amount of such a provision is calculated as the difference between the net carrying amount and the present value of the future expected cash flows associated with the

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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. The functional currency of Wi2Wi (India) PRIVATE LIMITED foreign subsidiary is its local currency of Rupees.

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the three months and six months ended June 30, 2018 and 2017.

Revenue Recognition

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

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

- when the Company has a present right to payment for the asset

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- when the Company has transferred physical possession of the asset to the customer
- when the customer has the significant risks and rewards of ownership of the asset
- when the customer has accepted the asset

Significant Judgments

Certain of the Company shipments include a limited return right. In accordance with IFRS 15 the Company recognizes revenue net of expected returns. A few distributors have stock rotation rights and have 60 days after a 12 month period to return inventory, at the Company's approval, from the first order placed for any new product. Returned product has historically been insignificant.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in contract assets or contract liabilities (deferred revenue) on the Company's condensed consolidated balance sheet. The Company records a contract asset when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing. Contract assets are recorded in prepaid expenses and other current assets and are \$15 as of June 30, 2018 and December 31, 2017, respectively. Deferred revenue are recorded in accrued liabilities and are \$36 as of June 30, 2018 and December 31, 2017, respectively.

Disaggregated Revenue

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

For the six months ended June 30,	2018	2017
Frequency Control	\$ 4,672	\$ 4,739
Connectivity	188	183
	\$ 4,860	\$ 4,922

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 six months ended June 30, 2018 and 2017, respectively, did not satisfy the criteria and therefore were expensed.

Share-Based Payments

The Company has a stock option plan and issues stock options to directors, employees and other service providers. 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

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

to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to contributed surplus are allocated to share capital. Where equity instruments are granted to persons other than employees, the consolidated statement of income and comprehensive income is charged with the fair value of goods and services received.

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

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

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

Product Warranty

The Company offers a standard one-year product replacement warranty on its connectivity solutions. The Company assesses the level and materiality of return material authorizations and determines the estimated returns for defective products at the time revenue is recognized. On occasion, management may determine to accept product returns beyond the standard one-year warranty period. In those instances, the Company accrues for the estimated cost at the time the decision to accept the return is made. As a consequence of the Company's standardized manufacturing processes and product testing procedures, returns of defective product are infrequent and the quantities have not been significant. Accordingly, historical warranty costs have not been material. Actual claim costs may differ from management's estimates. There was no accrual for warranty costs at June 30, 2018 or 2017.

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2017, have had or expected to have a material effect on the Condensed Consolidated Interim Financial Statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

New standards and interpretations not yet adopted:

In 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as, a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows

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

In 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Adoption of this standard did not have a material effect on the Company.

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 Condensed Consolidated Interim 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. Adoption of this standard did not have a material effect on the Company.

In 2016, the IASB issued the final amendments to IFRS 2, Share-based Payments ("IFRS 2") that clarify the classification and measurement of share-based transactions, consisting of: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. The Company evaluated the impact of adopting these amendments on the Condensed Consolidated Interim Financial Statements and there was not a material impact.

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

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

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

6. Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these

estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

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

other assumptions, potentially impacting the Company's inventory valuation and resulting in material effects on its gross margin.

Useful Lives of Depreciable Assets

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

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.

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

	June 30, 2018	December 31, 2017
Tradeaccountsreceivable	\$ 1,304	\$ 1,592
Lessprovisionforimpairmentoftradereceivables	(26)	(23)
Tradereceivables-net	\$ 1,278	\$ 1,569

8. Inventories

Inventories consist of:

	June 30, 2018	December 31, 2017
Raw materials (gross)	\$ 1,902	\$ 1,988
Inventory write-down	(361)	(361)
Raw materials (net)	1,541	1,627
WIP Inventory	217	152
Finished goods (gross)	1,368	1,329
Inventory write-down	(363)	(363)
Finished goods (net)	1,005	966
Total	\$ 2,763	\$ 2,745

9. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2017	\$ 2,165	\$ 203	\$ 89	\$ 105	\$ 2,562
Additions	22	1	-	-	23
At June 30, 2018	\$ 2,187	\$ 204	\$ 89	\$ 105	\$ 2,585
Accumulated Depreciation					
Balance, December 31, 2017	\$ 870	\$ 156	\$ 83	\$ 34	\$ 1,143
Additions	107	12	1	11	126
At June 30, 2018	972	162	84	45	1,269
Net Book Value					
At December 31, 2017	\$ 1,295	\$ 47	\$ 6	\$ 71	\$ 1,419
At June 30, 2018	\$ 1,215	\$ 36	\$ 5	\$ 60	\$ 1,316

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10. Related Parties

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

The Company incurred expenses related to travel by directors and officers of \$9 and \$19 in the six months ended June 30, 2018 and June 30, 2017 respectively.

11. Accrued Liabilities

Accrued liabilities consist of:

	June 30, 2018	December 31, 2017
Accrued compensation	\$ 253	\$ 183
Accrual for legal proceedings (Note 12)	131	131
Other accrued expenses	244	122
	<u>\$ 628</u>	<u>\$ 436</u>

12. Legal Proceedings

Accrual for Legal Proceedings

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

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

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

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

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Based on the legal advice received, the Company has decided not to indemnify the former directors and reduced the accrual for legal proceedings from \$781 to \$131 at December 31, 2017 and this amount remains accrued for at June 30, 2018. This amount is reserved to eventually cover all current and future legal expenses respecting this matter.

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

13. Commitments and Contingencies

Leases

San Jose, CA

The Company leases its offices in San Jose and is required to pay its pro-rata share of all executory costs such as building maintenance and insurance. On August 5, 2015, the Company entered a new lease for reduced space, and new monthly lease payments beginning at that time were reduced from \$12 to \$4. This lease was renewed beginning August 1, 2017 and will expire July 31, 2019.

Middleton, WI

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

The future minimum lease payments under the non-cancellable operating leases and the extension thereof, expiring in July 31, 2019, for San Jose location, and May 15, 2020 for Middleton location are as follows:

Year	Amount
2018	292
2019	565
2020	176
Total	\$1,033

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 June 30, 2018 under the non-cancellable operating leases, are as follows:

Year	Amount
2018	\$47
2019	71
Total	\$ 118

14. Share Capital

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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 three months and six months ended June 30, 2018, and 2017.

Common Shares

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

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

Per Share Calculation

The basic and diluted income per share has been calculated based on 145,663,418 and 158,027,092 weighted average shares outstanding, respectively, for the three months and six months ended June 30, 2018. The basic and diluted per share has been calculated based on 133,027,744 weighted average shares outstanding for the three months ended March 31, 2017 and based on 145,527,418 and 158,027,092 weighted average shares outstanding for the six months ended June 30, 2017.

Financing Activities

On April 4, 2017, the Company completed a non-brokered private placement for proceeds of CAD\$700, which is approximately USD\$522. The majority of the funding was from the board of directors and from the current investors. The Company did not pay any finder's fees or commissions in connection with the private placement. The capital raised will be used to develop new products from the Company's Wireless Connectivity and Frequency Control Device product lines to address the Internet of Things (IoT), Industrial Internet of Things (IIoT/M2M), Avionics, Space and Military markets in the coming years.

The Company issued 12,499,674 units ("Units") at a price of CAD\$0.056 per Unit (the "Purchase Price"). Each Unit consists of one common share of the Company ("Common Shares") and one common share purchase warrant (a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one Common Share at an exercise price of CAD \$0.11 per share for a period of five years following the issuance date, through April 2022. The Unit price was arrived at by using the maximum allowable discount of 25% on the closing price on the Company's common stock as of February 16, 2017, which was CAD \$0.075. The warrants were determined to be liabilities, as discussed in Note 15, with a fair value of CAD\$451 (\$337) at the issuance date. As the total proceeds from the private placement was CAD\$700, the Company recorded the residual amount of CAD\$249 (\$185) in shareholders equity.

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15. Share-Based Payments and Warrants

Stock Option Plan

At June 30, 2018, the Company had only one stock option plan, the Wi2Wi Corporation Stock Option Plan (the Plan).

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

The following table summarizes the stock options:

		Weighted Average Exercise Price
Options outstanding at December 31, 2016	8,597,442	\$ 0.14
Options forfeited or expired ¹	(4,110,875)	(0.14)
Options granted -	-	
Options outstanding at December 31, 2017	4,486,567	\$ 0.15
Options forfeited or expired -	\$ -	
Options outstanding at June 30, 2018	4,486,567	\$ 0.15

1. Certain of these stock options, issued in Canadian dollars, were converted to US\$ at the December 31, 2017 exchange rate.

The following table summarizes stock options outstanding and exercisable as of June 30, 2018:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
0.13 ¹	3,271,500	3.61	3,183,142
0.15 ²	880,824	1.97	880,824
0.46	5,479	3.23	5,479
0.34	219,176	1.35	219,176
0.23	109,588	.16	109,588
			-
	4,486,567	3.10	4,398,209

1. These stock options have an exercise price of CAD\$0.17 and have been converted to US\$ at the June 30, 2018 exchange rate of 1.31495 for disclosure purposes here.

2. These stock options have an exercise price of CAD\$0.195 and have been converted to US\$ at the June 30, 2018 exchange rate of 1.31495 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-

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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.

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

June 30,	2018	2017
Research and development	\$ -	\$ -
Selling, general and administrative	28	30
	\$ 28	\$ 30

Restricted Share Units (RSU's)

At June 30, 2018, the Company had the Wi2Wi Corporation Restricted Share Unit Plan.

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

	RSU's
RSU's outstanding at December 31, 2017	1,808,350
RSU's vested	(997,227)
RSU's forfeited	(66,669)
RSU's outstanding at June 30, 2018	744,454

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

Warrants

The following table summarizes the warrants issued by the Company as of June 30, 2018:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2016	317,804	\$ 0.43
Warrants issued ¹	12,499,674	0.09
Warrants expired ²	(153,422)	0.39
Warrants outstanding at December 31, 2017	12,664,056	0.09
Warrants expired ³	(164,384)	0.46
Warrants exercised ⁴	(136,000)	0.09
Warrants outstanding at June 30, 2018	12,363,674	\$ 0.08

1. The exercise price of these warrants is CAD\$0.11, which is converted to US\$ at December 31, 2017 exchange rate for presentation in this table.

2. The exercise price of these warrants is USD\$0.34 and USD\$0.46.

3. The exercise price of these warrants is USD\$0.46.

4. The exercise price of these warrants is CAD\$0.11, which is converted to US\$ at March 31, 2018 of 1.2887 exchange rate for presentation in this table.

In April 2017, the Company issued 12,499,674 warrants, with an exercise price of CAD\$0.11, in connection with a private placement, as discussed in Note 14. The warrants are fully vested. The warrants include a feature in which the exercise price would be adjusted in the event of a down round financing and the warrants are therefore accounted for as liabilities. The Company determined the warrants had a fair value of CAD\$451 (USD\$337), which is a fair value of CAD\$0.04 (USD\$0.03) per warrant, at the issuance date and has revalued the warrant liability to fair value at each reporting period thereafter. The warrant liability fair value is CAD\$1,086 (\$USD866) at June 30, 2018 and December 31, 2017. The Company used the Monte Carlo model, which is a

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scenario analysis tool that allows dynamic modeling of financial instruments, to determine the fair value of the warrants. Monte Carlo simulations help determine the drivers of value, incorporates how professional judgment drives value, and allows for additional support of the concluded value. The Company used assumptions related to the stock price (CAD\$.17), time to expiration (4.25 years), volatility (52.1%), and risk free interest rate (1.7%), as well as considerations regarding any future events that may trigger the warrant exercise price adjustment.

The warrant liability is included as a non-current liability in the statement of financial position, because the warrant liability will be settled through issuance of equity instruments.

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

The remaining outstanding warrants are accounted for as equity instruments. 153,422 expired unexercised in 2017, 164,382 expired unexercised in February 2018, 136,000 were exercised in March 2018 and the remaining 12,363,674 expire April 2022.

Summarized information about warrants as of June 30, 2018 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
\$			
0.08	12,363,674	3.76	12,363,674
	12,363,674	3.76	12,363,674

16. Expenses by Nature

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Research and Development				
Compensation	\$ 131	\$ 211	\$ 269	\$ 444
Other costs	<u>43</u>	<u>37</u>	<u>112</u>	<u>63</u>
Total research and development	\$ 174	\$ 248	\$ 381	\$ 507
Selling, General and Administrative Expenses				
Compensation	\$ 243	231	\$ 509	\$ 448
Depreciation and amortization	14	13	29	24
Facility related expenses	55	69	110	128
Professional and consulting services	73	61	83	86
Other costs	<u>135</u>	<u>126</u>	<u>265</u>	<u>219</u>
Total selling, general and administrative	\$ 520	\$ 500	\$ 996	\$ 905

17. Business Risks and Concentrations

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

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Liquidity Risk

Although the Company has in the past experienced recurring losses, had negative working capital positions, debt obligations and difficulty raising funds, it has made significant improvements in those areas since November 2014. In April 2017, the Company completed an equity financing for CAD\$700, which is approximately \$522. As of June 30, 2018, the Company continues to operate debt free and cash flow positive. See discussion of the financing activities at Note 14.

Credit Risk

The Company had significant exposure to several customers as of June 30, 2018 and December 31, 2017 as follows:

Customer	June 30, 2018		December 31, 2017	
	Revenue %	AR %	Revenue %	AR %
A	17%	13%	17%	15%
B	14%	9%	14%	25%
C	10%	20%	10%	13%

The Company has \$88 and \$71 in outstanding receivables over 90 days at June 30, 2018 and December 31, 2017, respectively.

18. Fair Value of Financial Assets and Liabilities

The Company's financial instruments at June 30, 2018 include cash, accounts receivable, accounts payable and warrants. The carrying values of the cash, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The warrant liability is reported at its fair value.

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

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

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

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

The Company holds shares in Legend Oil and Gas Limited. The fair value of these shares held by the Company are valued at market quoted prices of \$17 and \$24 at June 30, 2018 and 2017, respectively.

19. Line of Credit

On March 18, 2016 the Company entered into a new \$ 2 million revolving credit facility ("Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the agreement, the Company is required to deposit \$500 with the bank to serve as collateral for the Facility, and that \$500 is presented as restricted cash on the

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consolidated statement of financial position. Borrowings up to \$500 are available until the Company meets two financial covenants (defined below), fully collateralized by the deposit. Once the financial covenants are met and the Company chooses to use the revolving credit facility, the collateral of \$500 will be returned to the Company. From that point, borrowings are limited based on a percentage of trade accounts receivable and inventories. The financial covenants were met at the end of each quarter of 2017. The financial covenants have been met at June 30, 2018, but the Company has chosen not to use the \$2 million revolving credit facility at this time.

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

The interest on the Facility is LIBOR plus 3%, with an annual standby charge of 0.25%, charged quarterly. The Company has granted a security interest to Wells Fargo on all the property of the Company. Interest only payments are due monthly with the principal due at maturity, which will be May 31, 2019.

There have been no borrowings as of June 30, 2018.

Financial covenants:

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

20. Subsequent events

The Company evaluates events that occur through the filing date and discloses any material events or transactions. The Company is not aware of any subsequent events which would require recognition or disclosure in the Unaudited Condensed Consolidated Interim Financial Statements.