

Wi2Wi Corporation

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

Three and Nine Month Periods Ended September 30, 2015, and September 30, 2014

Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Toronto, Ontario
November 27, 2015

Wi2Wi Corporation

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Wi2Wi Corporation

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash	\$ 1,185	\$ 645
Trade accounts receivable, net of allowance for doubtful debts of \$127 as of September 30, 2015 and \$118 as of December 31, 2014 (Note 8)	2,215	3,448
Inventories (Note 9)	3,135	3,581
Deferred inventory costs	55	205
Investment in Legend Oil and Gas (Note 11)	112	42
Prepaid expenses and other current assets	495	333
Total current assets	7,197	8,254
Property and Equipment, Net (Note 10)	1,635	1,529
Total Assets	\$ 8,832	\$ 9,783
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,540	\$ 2,294
Secured subordinated convertible debenture (Note 12)	2,500	2,496
Accrued liabilities (Note 14)	2,183	2,954
Note payable (Note 12)	373	430
Deferred revenue	130	410
Provision for income tax	121	71
Total current liabilities	6,847	8,655
Total liabilities	6,847	8,655
Commitments and contingencies (Note 16)		
Shareholder's Equity		
Common shares – no par value (Note 17)	25,824	25,824
Contributed surplus	3,474	3,384
Accumulated deficit	(27,313)	(28,080)
Total shareholders' equity	1,985	1,128
Total Liabilities and Shareholders' Equity	\$ 8,832	\$ 9,783

See Going Concern Note 3 and Subsequent events Note 23
See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

/s/ Michael Pesner, Director

/s/ Zachariah Mathews, Director

Wi2Wi Corporation

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

	Three Months ended September 30		Nine Months ended September 30	
	2015	2014	2015	2014
Revenues	\$ 3,123	\$ 2,061	\$ 11,757	\$ 4,699
Cost of revenues	1,799	998	7,735	2,327
Gross profit	1,324	1,063	4,022	2,372
Operating expenses (Note 19)				
Research and development	512	202	1,054	664
Selling, general and administrative	660	661	2,006	1,858
Total operating expenses	1,172	863	3,060	2,522
Income/(loss) from operations	152	200	962	(150)
(Income) from transfer of technology (Note 22)	-	(1,688)	-	(1,688)
Interest expense (Note 12)	-	28	145	82
Income before income taxes	152	1,860	817	1,456
Provision for income tax	10	-	50	-
Net income and total comprehensive income	\$ 142	\$ 1,860	\$ 767	\$ 1,456
Net income per share, basic and diluted	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding	96,614,024	84,511,140	96,614,024	83,827,965

See Going Concern Note 3 and Subsequent event Note 23
See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Equity (In thousands of U.S. dollars)

	Common Shares			Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
Consolidated Balances, December 31, 2014	96,614,024	\$ 25,824	-	\$ 3,384	\$ (28,080)	\$ 1,128
Share-based compensation expense	-	-	-	90	-	90
Net income and comprehensive income	-	-	-	-	767	767
Consolidated Balances, September 30, 2015	96,614,024	\$ 25,824	-	\$ 3,474	\$ (27,313)	\$ 1,985

	Common Shares		Preferred Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' (Deficit)
	Shares	Amount				
Consolidated Balances, December 31, 2013	81,804,306	\$ 23,711	16,096,084	\$ 3,224	\$ (30,099)	\$ (3,164)
Issuance of common shares for cash	2,706,834	428	-	-	-	428
Warrants related to share issue	-	-	-	58	-	58
Share-based compensation expense	-	-	-	149	-	149
Net loss and comprehensive loss	-	-	-	-	1,456	1,456
Consolidated Balances, September 30, 2014	84,511,140	\$ 24,139	16,096,084	\$ 3,431	\$ (28,643)	\$ (1,073)

See Going Concern Note 3 and Subsequent event Note 23
See accompanying notes to consolidated financial statements.

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

(In thousands of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Operating Activities				
Net profit/(loss)	\$ 142	\$ 1,860	\$ 767	\$ 1,456
Adjustments for non-cash items:				
Depreciation and amortization	93	10	175	36
Share-based compensation	30	10	90	149
Warrant expense				58
Changes in fair value of Legend shares	56	-	(70)	-
Foreign exchange, Note payable	(27)	-	(57)	-
Changes in assets and liabilities:				
Accounts receivable	148	(1,811)	1,233	(2,205)
Inventories	(148)	(164)	446	(503)
Deferred inventory costs	19	(182)	150	(172)
Prepaid expenses and other current assets	107	97	(161)	17
Accounts payable	(342)	77	(754)	938
Accounts payable to related parties	-	-	-	(125)
Accrued liabilities	(670)	211	(772)	(83)
Income taxes	8	-	50	-
Deferred revenue	(33)	243	(280)	323
Net Cash Used in Operating Activities	(617)	351	817	(111)
Cash Flows from Investing Activities				
Additions to property and equipment	(205)	5	(277)	-
Net Cash Used in Investing Activities	(205)	5	(277)	-
Cash Flows from Financing Activities				
Proceeds from promissory notes	-	-	-	100
Repayment of promissory notes	-	(100)	-	(100)
Issuance of common shares for cash	-	-	-	483
Net Cash (Used)/Provided by Financing Activities	-	(100)	-	483
Net Increase (Decrease) in Cash	(822)	256	540	372
Cash, beginning of period	2,007	131	645	15
Cash, at end of period	\$ 1,185	\$ 387	\$ 1,185	\$ 387

Supplemental Disclosure of Cash Flow

Information:

Interest paid \$ - \$ 3 \$ - \$ 35

See Going Concern Note 3 and Subsequent event Note 23

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. Together, Wi2Wi Corporation and Wi2Wi Inc. constitute the Company.

The Company designs, manufactures and markets system in package and modular products for wireless applications worldwide. The Company's operating subsidiary's head office is located in San Jose, California.

On October 2, 2014, the Company entered into an asset purchase agreement with Precision Devices, Inc. ("Precision"). 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, (Note 6).

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, 2014, which are available on SEDAR at www.sedar.com.

These unaudited condensed consolidated financial statements have been authorized for issue by the Board of Directors on November 27, 2015.

Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and include the financial statements of Wi2Wi Corporation and its wholly owned subsidiary, Wi2Wi Inc. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated interim financial statements were prepared under the historical cost convention. All amounts herein are in US dollars, unless otherwise stated.

The unaudited condensed consolidated interim financial statements include the financial statements of Wi2Wi Corporation and of International Sovereign Energy Corp which were amalgamated pursuant to a Plan of Arrangement and which received Final Court Approval on January 28, 2013. It also includes the financial statements of its wholly owned subsidiary, Wi2Wi Inc. All intercompany balances and transactions have been eliminated on consolidation.

Wi2Wi Corporation

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

3. Going Concern

The accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has in the past experienced recurring losses and has a working capital of \$350 at September 30, 2015 compared to a deficit of \$401 at December 31, 2014.

The Company concluded the following transaction on October 28, 2015 which resulted in the issuance of shares to reduce Company's debt:

- a) On June 19, 2015 the Company announced a shares for debt transaction with LaSalle Capital Group II-A L.P for \$3,192 of debt comprising of Secured subordinated convertible debenture (\$2,500), accrued interest (\$168), and funding provided by LaSalle (\$524). This transaction received TSX Venture Exchange (TSXV) approval on August 20, 2015 and shareholder approval at a special general meeting on September 25, 2015 (Note 12); and
- b) On September 30, 2015 the Company signed a share for debt agreement with its noteholder and certain trade creditors which resulted in approximately \$530 converting to shares of the Company.

As a result of these transactions the Company will have substantially reduced its liabilities, increased the ability of the Company to continue in existence as a going concern and the appropriateness of the use of the going concern assumption.

Management's plans with regard to these matters are discussed below.

The application of the going concern basis is dependent on a number of factors, but ultimately on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from:

- a) Issuance of shares for all of the Company's debt of \$3.7 million; and
- b) Future cash flows from operations, profitable operations, bank borrowings and future equity raises to meet the Company's liabilities and commitments as they become payable.

There can be no assurances that such additional financing will be available or that the Company will ultimately achieve profitability. If the Company is unable to obtain an adequate level of financing, it will need to curtail planned activities and reduce costs. Doing so will likely have an unfavourable effect on the Company's ability to execute on its business plan. These matters raise substantial doubt about the ability of the company to continue in existence as a going concern.

Two of the Company's former directors are involved in legal proceedings for which it has set up an accrual amounting to \$876. The Company is evaluating its options regarding indemnification of these former directors, given that it is not a party to the legal proceedings.

These unaudited condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets, the reported revenues and expenses, and the balance sheet.

Wi2Wi Corporation

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

4. Significant Accounting Policies

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's location in San Jose, California. 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 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 shorter of lease or estimated useful life of leasehold improvements.

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. That difference is the 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:

Wi2Wi Corporation

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

Financial Instrument	Category	Measurement Method
Cash	Loans and receivables	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Investment in Legend shares	Available for sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank borrowings	Other liabilities	Amortized cost
Senior bridge loans	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Secured Convertible Debenture	Other liabilities	Fair value
Warrant liability	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 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 unaudited condensed consolidated interim statement of income (loss) and comprehensive income (loss). On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Other liabilities are measured at fair value on initial recognition, net of transaction costs and subsequently at amortized cost using the effective interest rate method.

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 unaudited condensed consolidated interim statement of income and comprehensive income.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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 substantive enactment date.

Wi2Wi Corporation

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

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 Translation

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 significant gains or losses arising from transactions denominated in currencies other than the functional currency for the periods ended September 30, 2015 and 2014.

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.

The Company also sells products to distributors. The Company does not recognize revenue until its distributors have sold the product to a third party, and the right of return or price protection has lapsed.

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 periods ended September 30, 2015 and 2014, 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 unaudited condensed consolidated interim statement 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 unaudited condensed consolidated interim 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.

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

5. New Accounting Policies

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2013, have had 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.

As of January 1, 2014, the Company adopted amendments to IAS 36, "Impairment of Assets". The amendments reduce the circumstances in which the recoverable amount of Cash Generating Units is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period.

As of January 1, 2014, the Company adopted IFRS Interpretations Committee ("IFRIC") 21 "Levies". IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified in the relevant legislation, occurs.

None of the new standards, interpretations and amendments, effective for the first time from January 1, 2014, have had 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.

Adaptation of these policies is not expected to have a significant effect on the Company's unaudited condensed consolidated interim financial statements

New standards and interpretations not yet adopted:

In May 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 arising from an entity's contracts with customers. The standard becomes effective for reporting periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of this new standard.

In July 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 December 2014, the IASB issued Amendments to IAS 1 - Presentation of Financial Statements. The objective of the amendments was to facilitate improved financial statement disclosures and should not require any significant change to current practices. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2016. The Company is currently evaluating the impact of Amendments to IAS 1 on its financial statement

Wi2Wi Corporation

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

6. Acquisition of Precision assets

The Company on October 2, 2014 entered into an asset purchase agreement (the "Agreement") with Precision pursuant to which the Company agreed to acquire certain assets and trade liabilities of Precision used in connection with the design, manufacture, distribution, and sale of Precision's radio frequency products that include crystals, oscillators, filters and a whole range of frequency controllers ("Purchased Assets"). The acquisition complements the Company's existing line of products.

The Company acquired the Purchased Assets at a price equal to;

- (i) 4,461,353 common shares in the capital of the Company,
- (ii) \$2.5 million payable in the form of a secured subordinated convertible debenture (the "**Debenture**"). The Debenture will mature twelve (12) months following the completion of the transaction and will bear interest at the rate of 10.25% per annum payable on the maturity date of the Debenture. Debenture and accrued interest has been exchanged for shares (Note 3, 12, 22).
- (iii) Interim funding provided from the date of the Agreement to receiving approval by LaSalle amounting to \$524. This amount will be exchanged for shares (Note 3, 12, 22).

The Company received Toronto Stock Venture Exchange approval for the acquisition of Purchased Assets on November 4, 2014.

The acquisition was accounted for under the acquisition method of accounting with the Company treated as the acquiring entity. Accordingly, the consideration paid by the Company to complete the acquisition has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The fair value of the plant and equipment was based upon the residual value of the plant and equipment, as discerned by discounted cash flow approach that was in excess of all other tangible assets whose fair values could be readily assessed. The fair value of intangibles was determined to have no value. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The following table shows the amounts recorded as of the acquisition date.

Acquisition of Precision assets

Assets acquired	
Receivables	\$ 1,868
Inventory	2,661
Other current assets	129
Plant and equipment	1,423
Note receivable from Precision Devices Limited	77
Total assets acquired	6,158
Less Current liabilities assumed	(1,952)
Net assets acquired	4,206
Purchase consideration	
4,461,353 Shares in Corporation	508
Secured Subordinated Convertible Debentures (Note 12)	2,496
Interim funding	524
Total consideration	3,528
Gain from bargain purchase	\$ 678

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

7. 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.

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.

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.

8. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company had a bad debt reserve of \$127 as of September 30, 2015, and \$118 as of December 31, 2014.

Wi2Wi Corporation

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

9. Inventories

Inventories consist of:

	September 30, 2015	December 31, 2014
Raw materials and work in progress	\$ 2,068	\$ 1,974
Inventory write-down	(29)	(28)
Raw materials and work in progress	2,039	1,946
Finished goods	1,250	1,663
Inventory write-down	(154)	(28)
Finished goods	1,096	1,635
Total	\$ 3,135	\$ 3,581

10. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Leaseholds	Total
Cost					
At December 31, 2014	\$ 1,748	\$ 128	\$ 87	\$ 41	\$ 2,004
Additions	246	31	-	-	277
At September 30, 2015	\$ 1,994	\$ 159	\$ 87	\$ 41	\$ 2,281
Accumulated Depreciation					
Balance, December 31, 2014	\$ 311	\$ 87	\$ 75	\$ 2	\$ 475
Additions	141	20	3	7	171
At September 30, 2015	\$ 452	\$ 107	\$ 78	\$ 9	\$ 646
Net Book Value					
At December 31, 2014	\$ 1,437	\$ 41	\$ 12	\$ 39	\$ 1,529
At September 30, 2015	\$ 1,542	\$ 52	\$ 9	\$ 32	\$ 1,635

11. Investment in Legend Oil and Gas

Legend Oil and Gas Ltd. (Legend) shares were included as part of the Reverse Takeover Over ("RTO") transaction that the Company completed on January 28, 2013 with International Sovereign Energy Corp ("ISE"). Legend shares are traded on the "Over the Counter Bulletin Board", and which were registered under the Securities Exchange Act of 1974 effective March 17, 2012.

Under the terms of the RTO transaction the proceeds from the Legend shares are solely for the benefit of the existing shareholders of ISE. This was achieved as part of the RTO by issuing to the shareholders of ISE, one common share of the post-merger entity, and one preferred share. All proceeds from the sale of Legend shares were for the benefit of the preference shareholders by way of dividend.

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

At the Company's Special and Annual General meeting on October 31, 2014, the preferred shareholders approved to bring forward the conversion date of the preferred shares to common shares to November 28, 2014. During 2012, 2013 and 2014 the Company has sold 1,025,000 shares for net proceeds of \$162. Subsequent to approval by preferred shareholders at the Annual General Meeting, the net proceeds were used for Company's general working capital and the investment recorded as an asset of the Company. At September 30, 2015 the Company held 22,350,247 shares of Legend of which 21,350,247 which were restricted became free trading on October 22, 2015. The shares closed at \$0.005 per share.

The investment is accounted for under the fair value method since the combined company does not have significant influence over Legend.

12. Debt

Note Payable – Norton Rose

As a condition of closing of the RTO transaction the Company converted CDN\$500 of the amount owing to Norton Rose into an unsecured promissory note. The promissory note was exchanged for, shares on October 28, 2015.

Secured subordinated convertible debenture

As part of the purchase price for the acquisition of Precision assets (Note 6) the Company issued a Convertible secured convertible note for \$2.5 million (the "Debenture").

On June 19, 2015 the Company announced a shares for debt transaction with LaSalle Capital Group II-A L.P (LaSalle) to pay an aggregate amount of \$3,192 (the Debt) 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) Funding provided by LaSalle to Wi2Wi 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 CDN\$3,898 (CAD exchange rate of 1.2209). Therefore 30,570,082 common shares of Wi2Wi will be issued to LaSalle as consideration for the Debt. The common shares will be issued at a deemed price of CDN\$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.

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. The shares were issued on October 28, 2015.

13. Related Parties

The Company incurred expenses related to travel by directors and officers of \$2 and \$nil in the three months period ending September 30, 2015 and 2014 respectively and \$12 and \$11 in the nine month period ending September 30, 2015 and 2014 respectively.

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14. Accrued Liabilities

Accrued liabilities consist of:

	September 30, 2015	December 31, 2014
Accrued compensation	\$ 462	\$ 498
Accrued interest	265	202
Accrual for legal proceedings (Note 15)	876	1,242
Accrual for legal and professional fees	-	226
Interim funding provided by Precision (Note 3, 6, 22)	524	524
Accrual for warrant liability	17	17
Other accrued expenses	39	245
	\$ 2,183	\$ 2,954

15. 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

Judgment was rendered on January 28, 2014. One director and one former director were found liable and ordered to pay \$648 plus interest and additional indemnity as of July 6, 2010, totaling \$794. The action against the other two former directors was dismissed. An appeal from the judgment had been filed to overturn the judgment and dismiss the action as a whole, but the appeal was denied. A former director has sought leave to appeal to the Supreme Court of Canada. The Company is not aware as to when the Supreme Court of Canada will issue a decision respecting such leave to appeal.

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 received legal advice to the effect that, in certain circumstances, it may not have an obligation to indemnify the now former directors. The Company is in the process of evaluating its options and has reserved \$876 as at September 30, 2015 in connection with this matter. The D&O insurer has also asserted that they may pursue the defendants for legal fees incurred to date of \$510, which have not been accrued at December 31, 2014, or at September 30, 2015 given that the Company determined that the likelihood of payment is remote.

The Company on October 30, 2014 received a complaint filed in the Superior Court for the State of California by a former executive of the Company, for breach of contract, labour 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 for payment of \$325 and issuance of 1 million common shares of the Company. The shares were issued on October 28, 2015

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.

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16. 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. In August 2015, the Company re-negotiated the lease terms for reduced space. The new monthly lease payments will be reduced from \$12 to \$4. The lease will expire on July 31, 2017.

Rental expense for operating leases during the years ended December 31, 2014 and December 31, 2013 were \$212 and \$105, respectively.

Middleton, WI

The Company leases the 38,000 square foot Middleton facility from PDI Properties, LLC. The lease agreement expires in May 2015, with an automatic 5 year extension if there is no default, unless the Company gives a written notice on or before November 20, 2014. No notice was given by the Company. 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 November 2016, for San Jose location, and May 15, 2020 for Middleton location are as follows:

Year	Amount
Balance of 2015	128
2016	531
2017	555
2018	508
2019	523
2020`	539
Total	\$2,784

17. Share Capital

The Company considers the items included in the unaudited condensed consolidated interim financial statements of changes in 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 September 30, 2015, and 2014.

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.

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

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 CDN\$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 CDN\$0.25 per share. The warrants will expire on April 30, 2016.

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 \$428. The value of the warrants was \$46 and the remaining \$428 was allocated to the common stock.

18. Share-Based Payments and Warrants

Stock Option Plan

At September 30, 2015 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 generally vest over periods of up to 48 months as determined by the Board of Directors and generally have a 12-month cliff vest followed by a 36-month vesting schedule. Options granted to the Company's directors and certain consultants vest fully upon issuance or vest over 1-3 years.

On January 1, 2015 the Company granted 129,000 options at CDN\$0.17 per option, to employees of the Company

The following table summarizes the stock option activity as of September 30, 2015:

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2014	12,777,587	\$ 0.20
Options granted ¹	129,000	0.14
Options expired	1,247,939	0.21
Options outstanding at September 30, 2015	11,658,648	\$ 0.17

1. The exercise price of these warrants is CDN\$0.17, which is converted to US\$ at the September 30, 2015 exchange rate for presentation in this table

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

The following table summarizes stock options outstanding and exercisable as of September 30, 2015:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
\$			
0.14 ¹	6,575,000	7.0	-
0.16 ²	3,223,162	5.0	2,630,147
0.23	476,207	2.6	476,707
0.34	657,528	4.4	657,528
0.46	597,251	6.4	559,860
0.14 ¹	129,500	7.0	-
	11,658,648		4,324,242

1. These stock options were issued in CDN\$0.17 converted to US\$ at the September 30, 2015 exchange rate.

2. These stock options were issued in CDN\$0.195 converted to US\$ at the September 30, 2015 exchange rate.

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.

	2015	2014
Expected life range	2.87-7.42 years	2.87-7.42 years
Risk-free interest rate	0.36-1.09%	0.36-1.09%
Volatility range	44% - 52%	44% - 52%
Dividend yield	-	-

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

	Three months September 30		Nine months September 30	
	2015	2014	2015	2014
Research and development	\$ 2	\$ 7	\$ 6	\$ 9
Selling, general and administrative	28	245	84	140
	\$ 30	\$ 252	\$ 90	\$ 149

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (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 September 30, 2015:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2014	3,935,234	0.37
Expired	1,000,000	-
Warrants outstanding at September 30, 2015	2,935,234	\$ 0.34

Some of the warrants have been issued in Canadian currency. These have been converted to United States dollar as at September 30, 2015.

The value of the warrants issued during the period ended December 31, 2014 was estimated at the date of issuance using the following weighted-average assumptions:

Expected life	2 years
Risk-free interest rate	0.45 – 0.50%
Volatility	44-50%
Dividend yield	0%

Summarized information about warrants as of September 30, 2015 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
0.19 ²	1,087,500	0.37	1,087,500
0.19 ²	393,226	0.45	393,226
0.34	87,670	1.48	87,670
0.34 ¹	260,000	0.99	260,000
0.46	65,752	1.48	65,752
0.46	164,382	2.35	164,382
0.57	876,704	0.33	876,704
	2,935,234	0.59	2,935,234

1. The exercise price of these warrants is CDN\$0.45, which is converted to US\$ at the September 30, 2015 exchange rate for presentation in this table.

2. The exercise price of these warrants is CDN\$0.25, which is converted to US\$ at the September 30, 2015 exchange rate for presentation in this table.

Per Share Calculation

The basic and diluted loss per share has been calculated based on 96,614,024 and 83,827,965 weighted average number of common shares outstanding as of September 30, 2015 and 2014, respectively.

Wi2Wi Corporation

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

19. Expenses by Nature

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Compensation	\$ 608	\$ 372	\$ 2,220	\$ 1,594
Depreciation and amortization	17	10	46	31
Facility related expenses	141	44	263	119
Professional and consulting services ¹	129	300	269	465
Changes in fair value of Legend shares	56	-	(69)	-
Other costs	221	137	331	313
	\$ 1,172	\$ 863	\$ 3,060	\$ 2,522

1. Included in the selling general and administration expenses is reversal of a liability from prior years no longer payable amounting to \$175, related to professional and consulting services.

20. 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

The Company has a liquidity risk as it has in the past experienced recurring losses and had working capital at September 30, 2015 of \$350, and a working capital deficit of \$401 at December 31, 2014. The Company has exchanged debt for shares for its Debenture and note payable including accrued interest (Note 3, 12 and 22), which significantly increase the ability of the Company to continue as a going concern. See Note 3 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of September 30, 2015 and December 31, 2014 as follows:

Customer	September 30, 2015		December 31, 2014	
	Revenue %	AR %	Revenue %	AR %
A	22%	28%	27%	45%
B	16%	12%	3%	14%
C	9%	6%	7%	16%

The Company has \$122, and \$217 in outstanding receivables over 90 days at September 30, 2015 and December 31, 2014, respectively.

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21. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at September 30, 2015 include cash, accounts receivable, bank borrowings, accounts payable and warrant liability. With the exception of the warrant liability, 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. The fair value of amounts due to related parties cannot be determined due to the related party nature of the transactions.

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 fair value of the warrant liability is determined quarterly based on certain unobservable inputs classified as a Level 3 measurement in the fair value hierarchy.

22. Technology Transfer

On August 1, 2014 the Company reached an agreement with one of its customers ("Customer") to transfer technology and know-how for \$2.25 million. The technology and know-how transfer relates to manufacturing of a specific wireless connectivity module, which is exclusively used by the Customer. Wi2Wi has agreed to transfer certain know-how, manufacturing documentation, and provide certain services, to enable the Customer to transfer production of the specific module. The agreement is predicated on three milestones, of which the Company has fulfilled by December 31, 2014, and final installment was received on January 8, 2015. As of September 30, 2014, the Company has completed two of the three milestones and \$1,688 was received subsequent to September 30, 2014.

23. Subsequent Events

On October 28, 2015, the Company issued 30,570,082 Common Shares to LaSalle (Note 12) and an aggregate of 5,843,639 Common Shares to a former executive of the Company for settlement of his claim, as well as to a note holder (Note 12) and other trade creditors. These Common Shares were issued at a deemed price of CAD 0.1275 per share. 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 increased to a total of 133,027,744.