

Wi2Wi Corporation

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

Three and Nine Months Ended September 30, 2014, and September 30, 2013

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 26, 2014

Wi2Wi Corporation

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Wi2Wi Corporation

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

	September 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash	\$ 387	\$ 15
Trade accounts receivable, net of allowance for doubtful debt of \$25 as of September 30, 2014 and December 31, 2013 (Note 8)	2,284	79
Inventories (Note 9)	808	305
Deferred inventory costs	214	42
Escrow funds receivable (Note 13)	-	500
Investment in Legend Oil and Gas (Note 11, 23)	128	820
Funds held on sale of Legend Oil and Gas shares (Note 11, 23)	162	147
Prepaid expenses and other current assets	180	197
Total current assets	4,163	2,105
Property and Equipment, Net (Note 10)	46	82
Total Assets	\$ 4,209	\$ 2,187
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,875	\$ 937
Senior bridge loans (Note 12 and 23)	150	150
Note payable (Note 12)	500	500
Promissory notes (Note 12 and 23)	510	510
Note payable escrow (Note 13)	-	500
Payable to preferred shareholders	291	967
Accounts payable to related parties (Note 13)	-	125
Accrued liabilities (Note 14)	1,512	1,595
Deferred revenue	389	67
Total current liabilities	5,227	5,351
Total liabilities	5,227	5,351
Equity (Deficit)		
Common shares – no par value (Note 16)	24,194	23,711
Contributed surplus	3,431	3,224
Accumulated deficit	(28,643)	(30,099)
Total shareholders' deficit	(1,018)	(3,164)
Total Liabilities and Shareholders' Deficit	\$ 4,209	\$ 2,187

See accompanying notes to consolidated financial statements.

See Going Concern Note 4

See Subsequent Events Note 23

Approved on behalf of the Board of Directors:

/s/ Dr. Hans Black, Director

/s/ Sharad Mistry, Director

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Income/(Loss) and Comprehensive Income/(Loss)

(In thousands of U.S. dollars, except net Income/(loss) per share)

	Three Months ended September 30		Nine Months ended September 30	
	2014	2013	2014	2013
Revenues	\$ 2,061	\$ 860	\$ 4,699	\$ 3,438
Cost of Revenues	998	544	2,327	2,077
Gross Profit	1,063	316	2,372	1,361
Operating Expenses (Note 19)				
Research and development	202	225	664	740
Selling, general and administrative	661	713	1,858	3,208
Share listing expense	-	-	-	2,987
Total Operating Expenses	863	938	2,522	6,935
Income/(loss) from Operations	200	(622)	(150)	(5,574)
(Income) from transfer of technology (Note 20)	(1,688)	-	(1,688)	-
Interest expense (Note 12)	28	29	82	86
Income/(loss) before Income Taxes	1,860	(651)	1,456	(5,660)
Provision for income tax	-	-	-	-
Net income/(loss) and Total Comprehensive Loss	\$ 1,860	\$ (651)	\$ 1,456	\$ (5,660)
Net income/(loss) per share, basic	\$ 0.02	\$ (0.01)	\$ 0.02	\$ (0.07)
Net income/(loss) per share, diluted	\$ 0.00	\$ (0.01)	\$ 0.00	(0.07)

See accompanying notes to consolidated financial statements.

See Going Concern Note 4

See Subsequent Events Note 23

Wi2Wi Corporation

Consolidated Statements of Changes in Shareholders' Deficit

(In thousands of U.S. dollars, except share data)

	Common Shares		Preferred Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity (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	483	-	-	-	483
Warrants related to share issue				58		58
Share-based compensation expense	-	-	-	149	-	149
Net income and comprehensive income	-	-	-	-	1,456	1,456
Consolidated Balances, September 30, 2014	84,511,140	\$ 24,194	16,096,084	\$ 3,431	\$ (28,643)	\$ (1,018)

See accompanying notes to consolidated financial statements.

See Going Concern Note 4

See Subsequent Events Note 23

Wi2Wi Corporation

Unaudited Consolidated Interim Statements of Cash Flows

(In thousands of U.S. dollars)

	Three months ended September		Nine months ended September	
	2014	2013	2014	2013
Operating activities				
Net profit/(loss)	\$ 1,860	\$ (651)	\$ 1,556	\$ (5,660)
Adjustments for non-cash items:				
Depreciation and amortization	14	13	36	40
Share-based compensation	10	84	149	352
Warrant expense	-	-	58	-
Share listing expense	-	-	-	2,986
Changes in assets and liabilities:				
Accounts receivable	(1,811)	239	(2,205)	(58)
Inventories	(164)	93	(503)	(149)
Deferred inventory costs	(182)	83	(172)	53
Prepaid expenses and other current assets	97	268	17	150
Accounts payable	77	(382)	938	(267)
Accounts payable to related parties	-	69	(125)	69
Accrued liabilities	211	99	(83)	189
Deferred revenue	243	(117)	323	(81)
Net cash used in operating activities	351	(202)	(111)	(2,376)
Cash flows from investing activities				
Additions to property and equipment	5	-	-	(44)
Net cash used in Investing Activities	5	-	-	(44)
Cash Flows from Financing activities				
Receipt of cash on upon completion of Plan of Arrangement with ISE	-	-	-	2,720
Escrow receivable	-	-	-	(500)
Proceeds from (repayments of) bridge loans	-	-	-	(630)
Proceeds from note payable to related party	-	-	-	500
Proceeds from promissory notes	-	-	100	-
Repayment of promissory notes	(100)	-	(100)	-
Exercise of stock options	-	-	-	15
Issuance of common shares for cash	-	65	483	315
Net Cash provided/(used) by financing activities	(100)	65	483	2,420
Net Increase (decrease) in cash	256	(137)	372	-
Cash, beginning of period	131	169	15	32
Cash, at end of period	\$ 387	\$ 32	\$ 387	\$ 32
Supplemental Disclosure of Cash Flow Information:				
Interest paid	\$ 3	\$ 30	\$ 35	\$ 57

See accompanying notes to consolidated financial statements.

See Going Concern Note 4

See Subsequent Events Note 23

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, (see Subsequent Events Note 23).

2. Basis of Preparation

These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4. These statements have been prepared based on the accounting policies and practices consistent with those used in the preparation of Wi2Wi's audited annual financial statements. It is management's opinion that these unaudited condensed consolidated interim financial statements include all adjustments necessary for the fair presentation, in all material respects, in accordance with IFRS. Certain significant estimates have been made by management in the preparation of these financial statements. Please refer to Note 2 for details of the "Transaction"

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 in terms of the 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.

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, 2013, which are available on SEDAR at www.sedar.com

These condensed consolidated financial statements have been authorized for issue by the Board of Directors on November 26, 2014.

Wi2Wi Corporation

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

3. Reverse Takeover of International Sovereign Energy Corp.

On July 6, 2012 the Company entered into an Arrangement Agreement pursuant to which International Sovereign Energy Corp. (ISE) acquired all of the issued and outstanding shares of the Company by way of a plan of arrangement under the Canada Business Corporations Act (the Transaction). Shareholders of Wi2Wi and ISE approved the Transaction in December 2012. The Transaction is considered a reverse takeover (RTO) under the policies of the TSX Venture Exchange (the TSXV) as the shareholders of Wi2Wi obtained control over ISE. It was subject to the approval of the Ontario Superior Court of Justice which was granted on January 28, 2013. It was also subject to approval by the TSXV and shareholders of both companies. The TSXV approval was granted on February 4, 2013 with trading commencing on February 5, 2013 under the symbol YTY.

The RTO Transaction effectively resulted in shares being issued and Wi2Wi taking control of the consolidated entity with Wi2Wi identified as the accounting acquirer. ISE is the surviving entity. However Wi2Wi is considered to be the accounting acquirer as the Wi2Wi shareholders acquired a controlling 80% of the outstanding and issued common shares of ISE upon the completion of RTO. The surviving entity changed its name to Wi2Wi Corporation.

As a result of the RTO Transaction, the consolidated financial statements have been prepared as a continuation of the Company and as such:

- (a) the assets and liabilities of the Company are recognized and measured at their RTO Transaction carrying amounts;
- (b) the assets and liabilities of ISE are recognized and measured in accordance with their fair values on the date of acquisition;
- (c) the opening retained earnings and other equity balances reflect the Company's balances prior to the RTO Transaction
- (d) comparative figures reflect the assets, liabilities and equity accounts of the Company prior to the RTO Transaction.

ISE was historically engaged in the acquisition, exploration and production of petroleum and natural gas reserves but had ceased operating activities on the sale of its assets in 2011 and 2012.

For accounting purposes, the acquisition does not meet the definition of a business in accordance with the IFRS 3 "Business Combinations" as ISE had discontinued all of its prior business operations and its activities, prior to the RTO, were limited to the management of cash resources, investment and the maintenance of its listing. Accordingly, the Transaction has been accounted for as the issuance of shares by Wi2Wi for the net monetary assets of ISE in accordance with IFRS 2 "Share-Based Payment". Consideration, net of transaction costs, has been added to shareholders' equity.

The fair value of the consideration, calculated as \$5,875, is determined based on the percentage of ownership of the merged entity after the transaction that was transferred to shareholders of ISE upon completion of the Transaction. This value represents the fair value of the shares that Wi2Wi would have had to issue for the ratio of ownership interest in the combined entity to be the same as if the transaction had taken the legal form of Wi2Wi acquiring 100% of the shares of ISE. The percentage of ownership ISE shareholders has in the combined entity is 20% after the consolidation of its existing 16,096,084 issued and outstanding common shares with the 64,384,296 newly issued shares of Wi2Wi held by shareholders as of January 28, 2013. The fair value of the consideration in the Transaction represents 20% of the estimated fair value of Wi2Wi shares of \$29.4 million based on the transaction price of the recent private placement sales of Wi2Wi common stock of \$0.10 per share before the amalgamation and conversion.

Wi2Wi Corporation

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

All securities convertible into common shares of Wi2Wi were exchanged or converted into an equivalent number of ISE securities in accordance with the conversion ratio. Of the 2,500,000 preferred shares of Wi2Wi indicated below, the conversion of 1,000,000 (Series A) shares is under dispute between members of the Wi2Wi Board of Directors and the holder of these shares, who was a former officer of Wi2Wi. The financial statements have been prepared assuming that the Series A preferred shares are not convertible and therefore are deemed cancelled. The 1,500,000 (Series B) shares have also been cancelled. The 200,000 (Series C) shares were converted into 139,600 common shares of Wi2Wi prior to completion of the Transaction and are included in "Common Shares".

The conversion ratio was 4.56 Wi2Wi common shares for each ISE common share (the Conversion Ratio). The Conversion Ratio resulted in the following securities as at January 28, 2013:

	Wi2Wi Before Conversion	New ISE After Conversion	Existing ISE	Total After Conversion
Common Shares	293,756,229	64,384,296	16,096,084	80,480,380
Preferred Shares	2,500,000	-	-	-
Total Shares	296,256,229	64,384,296	16,096,084	80,480,380
Warrants	11,225,000	2,460,249	-	2,460,249
Stock Options	47,891,666	10,496,698	1,535,000	12,031,698

In addition, 16,096,084 Preferred Shares were issued to holders of common shares of ISE upon the closing of the Transaction. Each Preferred share will automatically convert into common shares on the date that is five years and one day after the date such preferred shares were issued, based on an exchange ratio of one-millionth (0.000001) of a common share for each Preferred Share converted, a total of 16 common shares.

Upon the closing of the Transaction the Company issued 876,704 warrants (4,000,000 warrants pre-conversion) to its investment banker. The warrants have an exercise price of \$0.57 per the agreement (\$0.125 per share pre-conversion). The warrants vested immediately upon grant and expire in three years. The fair value of warrants was determined to be \$131 and is included in share listing expense.

Since the estimated fair value of the ownership interests in the combined company to be held by ISE shareholders exceeded the fair value of net assets being acquired by Wi2Wi and in accordance with IFRS 2, such excess of \$2,856 is recorded as a component of the total share listing expense as of January 28, 2013, and then transferred to deficit.

Wi2Wi Corporation

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

The computation of share listing expense is as follows:

Fair value of consideration for ISE ownership interest	\$ 5,875
Fair value of ISE net assets:	
Cash	3,279
Prepaid expense and deposits	64
Accounts payable	(324)
Investments	1,977
Payable to ISE shareholders	(1,977)
Total fair value of ISE net assets	3,019
Share listing expense	2,856
Fair value of warrants issued to investment banker	131
Total share listing expense	\$ 2,987

4. Going Concern

The accompanying consolidated 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 experienced recurring losses and has a working capital deficit at September 30, 2014 and December 31, 2013 of \$1,064 and \$3,246, respectively. This, among other factors, raises substantial doubt about 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 combination of future cash flows from operations, bank borrowings and future equity raises to meet the Company's liabilities and commitments as they become payable. The Company will continue to be dependent on additional financing in the future until such time as the Company becomes profitable. 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 unfavorable effect on the Company's ability to execute on the business plan. These matters raise substantial doubt about the ability of the company to continue in existence as a going concern.

These unaudited condensed consolidated 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 classification used.

Wi2Wi Corporation

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

5. Significant Accounting Policies

Inventories

Inventories are recorded at the lower of average cost 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. Depreciation and amortization are computed using the straight line method over estimated useful lives of three years for computer equipment and software, and five years for machinery and equipment and office furniture and fixtures. 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
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
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 Consolidated Statements of Loss and Comprehensive 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 Consolidated Statements of Loss and Comprehensive Loss.

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.

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.

Wi2Wi Corporation

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

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, 2014 and 2013.

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 nine month period ending September 30, 2014 and year ended December 31, 2013, 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 Statement of Loss and Comprehensive Loss with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs and the amount originally credited to contributed surplus are allocated to share capital. Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive loss 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.

Wi2Wi Corporation

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

6. 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 CGUs 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.

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

IFRS 9 will replace the guidance of IAS 39, "Financial Instruments: Recognition and Measurement." This standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans receivable. Financial assets will be classified into one of two categories: amortized cost or fair value. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No 2014-9 "Revenue from Contracts with Customers." The new accounting standards update require 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 after December 15, 2016, with no early adoption permitted. The Company is currently assessing the impact of this new standard.

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. 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.

Wi2Wi Corporation

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

Inventories

Inventories are recorded at the lower of average cost 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 5.

8. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company has a bad debt reserve of \$25 in each of the 2014 and 2013 periods, to cover potential doubtful accounts.

9. Inventories

Inventories consist of:

	September 30, 2014	December 31, 2013
Raw materials and work in progress (gross)	\$ 655	\$ 295
Inventory write-down	(2)	(2)
Raw materials and work in progress (net)	653	293
Finished goods (gross)	165	22
Inventory write-down	(10)	(10)
Finished goods (net)	155	12
Total	\$ 808	\$ 305

The cost of finished goods and component inventories recognized as expense due to write off of certain inventory items and included in cost of sales for the period ended September 30, 2014 and for the year ended December 31, 2013 was \$12 for both periods.

Wi2Wi Corporation

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

10. Property and Equipment, Net

	Machinery and Equipment	Computer Equipment and Software	Furniture and Fixtures	Total
Cost				
Balance as of December 31, 2013	\$ 408	\$ 106	\$ 75	\$ 589
Additions	-	-	-	-
Deletions	55	5		60
Balance as of September 30, 2014	\$ 353	\$ 101	\$ 75	\$ 529
Accumulated Depreciation				
Balance as of December 31, 2013	\$ 345	\$ 88	\$ 74	\$ 507
Additions	22	8	1	31
Deletions	50	5	-	55
Balance as of September 30, 2014	\$ 317	\$ 91	\$ 75	\$ 483
Net Book Value				
At December 31, 2013	\$ 63	\$ 18	\$ 1	\$ 82
At September 30, 2014	\$ 36	\$ 10	\$ -	\$ 46

Depreciation expense for the three and nine months ended September 30, 2014 \$10 (2013-\$14) and \$31 (2013-\$27), respectively, and is classified as selling, general and administrative expense in each period.

11. Investment in Legend Oil and Gas

In September 2011, ISE entered into an agreement to sell certain assets to Legend Energy Canada Ltd., a subsidiary of US based Legend Oil and Gas Ltd. (Legend). ISE assets upon completion of the Transaction with Wi2Wi included an investment in Legend representing partial consideration for the assets sold to Legend. ISE received 3,552,516 Legend shares, which are traded on the "Over the Counter Bulletin Board", and which were registered under the US Securities Act effective March 17, 2012. The number of shares was to be adjusted if the volume weighted average trading price of Legend shares were to fall below certain price thresholds at the end of certain periods, primarily within two months of the registration becoming effective. The agreement also granted ISE a PUT option at the original issue price of \$2.00 per share. As the trading price of Legend has fallen, the PUT has not been exercised.

At the end of the restriction period, May 17, 2012, ISE had received 21,350,247 additional shares under the trading price provision due to a sharp drop in the share price of Legend, (\$2.20 in November 2011, to \$0.28 on May 17, 2012) bringing the total number of shares owned by ISE of Legend to 24,902,763 or 32.5% of the outstanding shares. During 2012, 1,527,516 shares were sold for net proceeds of \$147. At December 31, 2012, ISE had 23,375,247 shares. As of January 28, 2013, the date of the RTO transaction close, the 23,375,247 shares were revalued at \$0.078 per share resulting in a carrying value of \$1,977 inclusive of the proceeds of sale of shares. The additional shares received are subject to sales restrictions. At December 31, 2013 the trading price had fallen to \$0.0351 with a resultant value of \$820,471, plus the cash generated on the sale of shares for a total value of \$971,745. The funds are being held by the Company's brokers and are not included in funds utilized by the Company for working capital purposes.

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

Under the terms of the Arrangement Agreement between Wi2Wi and ISE, 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 will be for the benefit of the preference shareholders by way of dividend and accordingly, the Company has recorded a corresponding liability for the equivalent amounts owing to ISE preferred stock holders. Such liability is subject to adjustments based on a corresponding increase or decrease in the fair value of the Legend shares. 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.

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

On May 1, 2013, the Company and Legend, reached an agreement to terminate the PUT right the Company had over the shares held by it in Legend. As a condition of the above, Legend is obligated to file a Form S-1 that will release the trading restriction on the 21,350,247 shares that were issued under the value adjustment conditions. Once such filing has been approved, all the Legend shares will become freely tradable. As of the date hereof, the shares are not yet freely tradable.

On January 7, 2014 Legend entered into a non-binding letter of intent with New Western Energy Corporation ("New Western Energy"), for New Western Energy to acquire all of the issued and outstanding common shares of Legend. On January 24, 2014 New Western Energy announced that it has entered into a definitive merger agreement for the acquisition of Legend. Subsequently the merger negotiations were discontinued.

At the Company's Annual and special 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 (Note 23).

12. Debt

Senior Bridge Loan Offering

In May 2012 the Company commenced an offering of Senior Bridge Loans of up to \$2.0 million to qualified investors. Borrowings under the offering bear interest at 10% - 12% per annum, payable at the end of the nine month term. In connection with the offering, the Company issued detachable warrants to purchase shares of the Company's common stock (see Note 16).

The Senior Bridge Loans were not originally convertible into common stock. However, as a condition of closing the Transaction which is discussed in Note 17, \$500 of promissory notes issued pursuant to the Senior Bridge Loan Facility were required to be converted into Wi2Wi Common Shares at a price of \$0.10 per share. Holders of \$525 of the Senior Bridge Loan Notes had their notes converted into 5,250,000 Wi2Wi common shares on December 19, 2012. During the nine month period ended March 31, 2013, the \$480 of the loans outstanding at December 31, 2012 was repaid. At September 30, 2014 and December 31, 2013, \$150 was outstanding. On November 14, 2014 the Company converted the loan to shares of the Company (See Note 23)

Note Payable – Norton Rose

As a condition of closing of the Plan of Arrangement the Company converted \$500 of the amount owing to Norton Rose into an unsecured promissory note bearing interest at 10% per annum, maturing January 31, 2015.

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

Promissory notes

The Company issued promissory notes in December 2013, amounting to \$410 bearing interest rate of 10%. \$100 of the promissory notes were repaid in the quarter, and an additional \$50 was repaid on October 1, 2014. \$60 of the promissory notes is due to a director of the Company. In January 2014, additional promissory notes were issued on same terms amounting to \$100. On November 14, 2014 the Company converted the remaining notes to shares of the Company (see Note 23).

13. Related Parties

As a condition of approval of the Plan of Arrangement, an amount of \$500 was placed in Escrow, which will be released on the Company obtaining a Line of Credit exceeding \$2 million with a Commercial Bank or upon approval by the Toronto Stock Exchange. This amount was placed in Escrow by two Directors as loans bearing interest at the rate of 10% per annum. The director notes are due upon earlier of the Company obtaining the \$2 million line of Line of Credit or 12 months from the issuance date of the note. Interest, amounting to \$38 has been paid as of December 31, 2013. The escrow amounts were released on February 25, and March 27, 2014.

On March 7, 2013 a director of the company was appointed as the Interim Chief Financial Officer of the Company. He received an honorarium of \$15 per month commencing March 2013. The director resigned on May 7, 2014. The total owing to the director at September 30, 2014 and 2013 was \$125 and \$60 respectively. This amount does not bear interest.

In December 2013, another director of the company advanced \$60 under a promissory note bearing an interest rate of 10%, which was converted to shares of the Company, on November 14, 2014 (See Note 23).

14. Accrued Liabilities

Accrued liabilities consist of:

	September 30, 2014	December 31, 2013
Accrued compensation	\$ 200	\$ 396
Accrued interest	62	54
Accrual for legal proceeding (Note 15)	794	794
Accrual for other legal	255	22
Other accrued expenses	201	329
	\$ 1,512	\$ 1,595

15. Commitments and Contingencies

Leases

In 2005, the Company entered into a non-cancelable building lease with an initial term of 27 months, and one two-year renewal option. The lease requires the Company to pay its pro-rata share of all executory costs such as building maintenance and insurance. In September 2011, the Company extended the lease and re-negotiated the lease terms. The company negotiated a further 3 year extension effective December 1, 2013 on essentially the same terms and conditions, except for the rental rate.

Wi2Wi Corporation

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

Rental expense for operating leases during the years ended December 31, 2013 and December 31, 2012 were \$105 and \$125, respectively.

The future minimum lease payments under the non cancelable operating lease and the extension thereof, expiring in November 2016, is as follows:

Year	Amount
2014	\$146
2015	\$150
2016	\$142
Total	\$438

Legal Proceedings

A former company executive has asserted a claim of \$4,400 against certain Directors of the Company for damages incurred as a result of the claimed lost value of Plaintiff's investment, including Class B Convertible Preferred Shares. The defendants have filed a Defense and examinations on discovery have taken place and hearings on the merits of the Claim commenced on November 20, 2013.

Judgment was rendered on January 28, 2014. Two of the directors were found liable and ordered to pay \$648 plus interests and additional indemnity as of July 6, 2010, totaling \$794. The action against the other two directors was dismissed. An appeal has been filed to overturn the Judgment and dismiss the action as a whole against all Defendants.

The Directors and Officers insurer ("D&O") has taken the position that this falls under an exclusion of the otherwise applicable policy. After assessing the probability of an unfavorable outcome, the Company determined that such unfavorable outcome was more likely than not and as such has accrued \$794 at December 31, 2013 with respect to this matter. The D&O insurer has also asserted that they may pursue the Company for legal fees incurred to date of \$314, which have not been accrued at December 31, 2013 given that the Company determined that the likelihood of payment is remote.

The Company received a request dated January 7, 2014 from Department of State Bureau of Securities Regulation, State of New Hampshire for documents pursuant to a complaint received in connection to an investment made in Wi2Wi Inc. The exact nature of the complaint is not known to the Company, but is related to a period prior to the RTO transaction. The Company is complying with the request to produce documents requested.

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.

On October 31, 2014 the Company received a complaint for breach of contract, labour code violations, wrongful termination from another former company executive of the Company. The Company intends to contest this complaint. (see Note23)

Wi2Wi Corporation

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

16. 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, 2014, and 2013.

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.

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 per Unit. 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 CDN\$592.

There are 84,511,140 Common shares issued at September 30, 2014 and 81,804,306 Common Shares in issue at December 31, 2013.

Preferred Shares

The Company had three classes of preferred shares (A, B and C), each authorized for an unlimited number of shares to be issued. Preferred shares are nonvoting and are convertible to common shares on a one for one basis. As a result of the RTO transaction (Note 3), all classes of preferred shares were cancelled.

In addition, 16,096,084 Preferred Shares were issued to holders of common shares of ISE upon the closing of the Transaction. Each Preferred share will automatically convert into common shares on the date that is five years and one day after the date such preferred shares were issued, based on an exchange ratio of one-millionth (0.000001) of a common share for each Preferred Share converted, a total of 16 common shares. The holders of these preferred shares are entitled to receive as and when declared by the Board dividends in an amount equal to the aggregate of the net cash proceeds received by Wi2Wi from sale of Legend shares or any cash dividend, distribution or any other payment in respect of Legend shares. At the Annual and Special Meeting on October 31, 2014 the Preferred shareholders approved the automatic conversion date to be November 28, 2014.

Wi2Wi Corporation

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

17. Share-Based Payments and Warrants

Stock Option Plan

At September 30, 2014 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 1-2 years.

The Company's Stock Option Plan was amended following Board approval on May 30, 2012 to extend the expiration date on options up to a maximum of 10 years from the date of grant. All options outstanding as of May 30, 2012 for active option holders were extended by an additional three years to a total of 10 years from the date of grant. In addition, the Company also extended the exercise period for vested options of certain former employees and board members. The incremental fair value of the extension of maximum life and exercise period, calculated as the difference between the fair value of the modified instrument and that of the original instrument, was \$390. Of this, approximately \$340 related to fully vested stock options and therefore was recognized immediately in the Company's Statement of Losses. The remainder relates to options which are currently vesting and will be recognized over the remaining vesting period.

The following table summarizes the stock option activity as of September 30, 2014

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2013	17,896,702	\$ 0.27
Options forfeited or expired	(11,094,115)	0.28
Options outstanding at September 30, 2014	6,802,587	\$ 0.23

The following table summarizes stock options outstanding and exercisable as of September 30, 2014:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
\$			
0.195	4,303,980	5.72	3,010,510
0.228	838,347	3.80	838,347
0.342	789,033	5.24	789,033
0.456	871,227	7.11	751,660
	6,802,587		5,389,550

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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 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.

No options were granted during the period September 30, 2014.

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	
	2014	2013	2014	2013
Research and development	\$ 3	\$ 7	\$ 9	\$ 16
Selling, general and administrative	7	245	140	252
	\$ 10	\$ 252	\$ 149	\$ 268

Warrants

The following table summarizes the warrants issued by the Company as of September 30, 2014:

	Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2013	3,194,228	\$ 0.56
Expired	(999,720)	0.68
Issuance of warrants on Share issue	1,480,726	0.25
Warrants outstanding at September 30, 2014	3,675,234	\$ 0.40

As part of the share issue, the Company issued 1,480,726 in period ending March 31, 2014. The warrants vest immediately and expire three years from the date of issuance. The fair value of \$58 was estimated on the respective date of grant using the Black-Scholes valuation model and recorded as a reduction of the common stock proceeds.

Wi2Wi Corporation

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

The value of the warrants issued during the period ended December 31, 2013 was estimated at the date of issuance using the following weighted-average assumptions:

Expected life	3 years
Risk-free interest rate	0.45 – 0.50%
Volatility	44-50%
Dividend yield	0%

Summarized information about warrants as of September 30, 2014 is as follows:

Exercise Prices	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable
\$			
0.34	87,670	2.48	87,670
0.46	230,134	3.10	230,134
0.45	1,000,000	0.68	1,000,000
0.57	876,704	1.33	876,704
0.25	1,480,726	1.39	1,480,726
	3,675,234	1.32	3,675,234

18. Per Share Calculation

The basic and diluted per share has been calculated based on 83,943,899 and 94,466,735 weighted average number of common shares outstanding for the nine month period ending September 30, 2014 respectively, and basic and diluted per share calculated on weighted average number of shares of 80,808,042 for the nine month period ending September 30, 2013.

19. Expenses by Nature

	Three months September 30		Nine Months September 30	
	2014	2013	2014	2013
Compensation	\$ 372	\$ 683	\$ 1,594	\$ 2,121
Depreciation and amortization	10	13	31	40
Facility related expenses	44	42	119	127
Professional and consulting services	300	60	465	1,229
Share listing expense	-	-	-	2,987
Other costs	137	140	313	431
	\$ 863	\$ 938	\$ 2,522	\$ 6,935

Wi2Wi Corporation

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

20. Technology Transfer

On August 1, 2014 the Company reached an agreement with one of its customers ("Customer") to transfer technology and know-how for \$2.25million. 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 first two milestone have been completed and the Company has received the first two payments totaling of \$1.7 million. The Company is in process of completing the final remaining milestone, which is expected to be completed by December 31, 2014.

21. 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 significant liquidity risk as it has experienced recurring losses and had working capital deficits at September 30, 2014 and December 31, 2013 \$ 965 and \$3,246, respectively. These matters, among others, raise substantial doubt about the ability of the Company to continue in existence as a going concern. See Note 4 for further discussion.

Credit Risk

The Company had significant exposure to several customers as of September 30, 2014 and December 31, 2013 as follows:

Customer	September 30, 2014		December 31, 2013	
	Revenue %	AR %	Revenue %	AR %
A	21%	53%	29%	60%
B	28%	36%	25%	3%
C	21%	5%	20%	4%

The Company has \$3 in outstanding receivables over 90 days at September 30, 2014 and December 31, 2013, respectively.

22. Fair Value of Financial Assets and Liabilities

The Company's financial instruments as at September 30, 2014 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.

Wi2Wi Corporation

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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 (see Note 13).

23. Subsequent Events

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 Company will purchase 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. Precision may convert all or any part of the principal amount outstanding under the Debenture into common shares of the Company at a conversion price of CDN\$0.25 per Share, which could result in the Company issuing up to additional 11,289,000 shares.

The Company received Toronto Stock Venture Exchange approval on November 4, 2014.

The Company acquired assets consisting of accounts receivable, inventory, plant and equipment amounting to approximately \$9 million and assumed trade liabilities and capital leases of approximately \$3 million.

Conversion of certain obligations to common shares

The Company on October 23, 2014 entered into agreements to issue shares to settle an amount of \$460 owed to holders of promissory notes, \$150 Senior Bridge loan, and an amount of CDN\$80 owed to a service provider. The Company issued 7,197,344 common shares at a deemed price of CDN\$0.10/share in settlement of the above-noted amount owed to debt securities holders and 444,171 common shares at a deemed price of CDN\$0.18/share in settlement of the above-noted amount owed to a service provider.

Conversion of preferred shares to common shares

The preferred shareholders on October 31, 2014 at the Company’s Annual and special meeting of the shareholders, passed a special resolution authorizing an amendment to the Articles of the Company to amend the date of the conversion of the preferred shares to November 28, 2014. The conversion will eliminate the amount owed to preferred shareholders on amounts realized on Legend shares.

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

Complaint for breach of contract, labour code violation and wrongful termination

The Company on October 30, 2014 received a complaint filed in the Superior Court for the State of California by 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. The claim is in the region of \$450 excluding legal costs. The Company has reserved \$150 for legal costs and intends to contest the claim.