



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017**

# Wi2Wi

## Management Discussion and Analysis

(All amounts in US Dollars unless noted otherwise)

### Forward-Looking Statements:

This MD&A includes information that is forward-looking in nature. Such statements concern the future earnings of the Company, its operations, its financial results and its financial condition. These forward-looking statements can be identified through use of expressions such as “believe”, “foresee”, “anticipate”, “estimate”, “expect” and other similar types of terms and are based on the information available at the time that they were made and on the good faith of management according to information available at this time. We wish to advise the reader that by their very nature, forward-looking statements include an element of uncertainty and the actual results may be significantly different from the assumptions and estimations described in the forward-looking statements. The actual results will be affected by numerous factors over which the Company has no influence. Consequently, we recommend against placing undue trust in such forward-looking statements since future events and actual results may differ significantly from any forecasts. Unless otherwise stipulated under current law, the Company does not intend to update these statements to take into account new facts or future events and it makes no undertaking to do so.

### Management Discussion

The following management discussion and analysis (“MD&A”) is a review of operations, current financial position and outlook for Wi2Wi Corporation (“Wi2Wi” or the “Company”). It is dated April 12, 2018 and should be read in conjunction with the Audited Consolidated Financial Statements for Years Ended December 31, 2017 and 2016 (“Audited Statements”) which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts are in thousands of United States Dollars, unless otherwise noted.

### Corporate Strategy and Overview

Wi2Wi is a vertically integrated manufacturer providing end to end wireless connectivity solutions, precision timing devices, frequency control devices and microwave filters to the global market. Wi2Wi’s miniaturized wireless System-in-Package (SIP) connectivity solutions are well accepted in the global market for Internet of Things (IoT), Industrial Internet of Things (IIoT/M2M/Industry 4.0) and portable device embedded applications worldwide.

Headquartered in San Jose, California, the heart of the Silicon Valley with manufacturing operations in Middleton, Wisconsin, the industrial belt of North America, Wi2Wi provides leading-edge wireless connectivity solutions, customized precision timing devices, frequency control products and Microwave Filters for customer applications worldwide with substantial savings on time-to-market, cost and system-integration. Wi2Wi also leverages its technology along with tier-1 global partnerships with industry leading silicon and supply chain companies, serving several Fortune-500 customers.

Wi2Wi’s strategic objective is to service the unique needs of each customer by providing wireless integration solutions, thereby speeding up the customer’s design, development and manufacturing cycle and reducing the end product overall cost. Wi2Wi’s products and value-added services provide highly integrated, rugged, robust and reliable, multifunctional wireless integration solutions with integrated software, customised frequency control devices, timing devices and microwave filters for customer applications globally. *Wi2Wi distinguishes itself from commodity grade products, having developed best in class products with integrated software, broader temperature ranges, longer useful lives, and greater robustness and ultimately providing end to end solutions to its global customer base. The Company also provide custom software to its wireless connectivity customers.*

Wireless connectivity is the primary communication back bone of Internet of Things (IoT) and customer’s needs are unique due to the nature of the application of their end products and the level of wireless integration expertise they possess. To service such unique needs, Wi2Wi has created three distinct product architectures and supported by integrated software. The product architecture and software are based on the best known, rapidly adopting and fastest growing global wireless standards. The wireless connectivity modules are based on 802.11ac, 802.11 a/b/g/n, 802.11 ac/a/b/g/n, Bluetooth, Bluetooth smart ready, 802.11ac, NFC and dual mode BT (Smart ready BLE4.2) combo and GNSS ( navigation) modules based on various constellations such as GPS, BeiDou and GLONASS.

The Company has created a standard design platform for its frequency control devices, precision timing devices and microwave filters. This platform allows the Company to easily customize and meet the highest application demand from customers and timely service customers with rugged, robust and reliable products cost effectively. Such cost effective customization with superior performance are highly required in the markets such as avionics, space, Industrial, medical and defense. Wi2Wi’s products and value-added services are highly desirable in these markets

Wi2Wi manufactures its frequency control devices, precision timing devices and microwave filters in the manufacturing plant located in Middleton Wisconsin. Manufacturing of wireless connectivity products are outsourced. The Company has the following certifications:

- Restrictions on Hazardous Substances (RoHS): design and manufacturing control program for the output of “Lead-Free” (Pb-Free) products
- Department of Defense
- MIL-STD-790 Product Assurance Certified
- Qualified Products List: MIL-PRF-55310 Oscillator, Crystal Controlled MIL-PRF-3098 Crystal Units, Quartz

- DSCC Laboratory Suitability Certified
- MIL-PRF-38534 Hybrid Microcircuit Certified
- Qualified Manufacturer's List
- ISO 9001:2008 FM 75597 ISO Certified Quality Management System
- REACH Compliant Registration, Evaluation, Authorization and Restriction of Chemicals
- ESD Program, employee training certification
- IPC 610 Electronics Acceptance Criteria, employee training and certification
- IPC/EIA-J Class 2 solder joint industry standard training and certification
- ISO 14644 1&2, Class 7 (FED-STD 209E Class 10,000 Clean Room)

Wi2Wi's product strategy focuses on the various applications in these following markets; Internet of Things (IoT), Machine to Industrial Internet of Things (IIoT/M2M/Industry 4.0), avionics, space, defense and other industrial applications. Wi2Wi's products and value-added services are highly desirable in these markets.

### Financing Activities

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

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

### Highlights of 2017

- On December 7, 2017, the Company has released its eleventh new product in the fiscal year of 2017. The best in class VN04 series of Oven Controlled Quartz Crystal Clock Oscillator (OCXO)s to further expand the clock oscillator family.
- On November 13, 2017, the Company announced the results of the quarter ended September 30, 2017.
- On September 28, 2017 the Company announced its tenth best in class product in this year. The JL6 series quartz crystal clock oscillators with industry's highest level of technology integration serving the Company's premium markets.
- On August 23, 2017, the Company announced the results of 3 months ending June 30, 2017.
- On August 7, 2017, the Company announced that it is apprised of the decision of the Supreme Court of Canada in *Wilson v. Alharayeri*, 2017 SCC 39 holding two of its former directors personally liable for corporate oppression. The Company was not a party to this action and the ruling by the Supreme Court of Canada states that the former directors are to be held responsible for their actions at the exclusion of Wi2Wi. The former directors are no longer affiliated with Wi2Wi.
- On August 2, 2017, The Company announced its eighth new product in this year, WE935B00 with the highest level integration, performance and features available in the industry.
- On July 2, 2017, the Company announced the FV series of Voltage Controlled Crystal Oscillators (VCXO), a further promising extension of its product portfolio.
- On June 23, 2017, the Company announced the completion of its shareholder's annual general meeting and election of its board of directors. Messrs. Michael Sonnenreich, Dr. Fraser C. Henderson Sr. M.D., Harry Bloomfield Q.C., Michael Pesner CPA, CA and Zachariah Mathews were elected as directors of the Company and Mr. Michael Sonnenreich was re-appointed as the chairman of the board of directors.
- On June 12, 2017, the Company announced its sixth new best in class product in 2017. The VN05 series, a family of Oven Controlled Crystal Oscillators (OCXO), with industry's best in class features, performance, functionality and stability in a very small surface mount (SMD) packaging.
- On May 29, 2017, the Company announced WC7220B0, an Ultra-Small, Ultra-Low Power High Performance Bluetooth Low Energy (BLE) module, from its MCU Embedded (ME) family of products.
- On May 10, 2017 the Company announced its unaudited consolidated financial results for the three months ending March 31, 2017.
- On May 1, 2017, the Company announced its New DL4 series of Quartz Crystal Oscillators which provide industry's best in class performance and reliability in extreme environmental conditions and temperature. The DL4 series targets various premium applications in avionics, space, military, industrial and medical markets where such performances are utmost important.

- On April 24, 2017, the company announced FC7 series of Clock Oscillators with Industry's lowest power dissipation and jitter. The Company's proprietary PLL technology enables customization of frequency and enable product shipments in 2-5 days lead time.
- On April 17, 2017, the Company announced WM828CC6, industry's best performing cost effective multi-protocol (802.11 ac/a/b/g/n+BT4.2) module which targets existing and emerging applications in the IoT and IIoT markets.
- On April 11, 2017, the Company announced its financial results for the quarter and the year ending December 31, 2017.
- On April 4, 2017 the Company announced closing of a non-brokered private placement of units which was oversubscribed. The Company issued 12,499,674 units ("Units") at a price of C\$0.056 per Unit for gross the proceeds of C\$700. The Units were issued to investors under available prospectus exemptions. No finder's fees were paid by Wi2Wi in connection with the offering. The funds raised enable the company to accelerate its new product development.
- On March 23, 2017, the Company announced the release of WM825B00.
- On February 16, 2017, the Company announced changes to the board of directors.

## Highlights of 2016

- On November 22, 2016, the Company has received 1-Platinum Premier Supplier Status from Rockwell Collins. This is the highest supplier rating Rockwell Collins awards to its preferred suppliers.
- On November 14, 2016, the Company announced the results of the quarter ending September 30, 2016.
- On August 25, 2016 the Company announced the results of the quarter ending June 30, 2016.
- On July 13, 2016 the Company announced the resignations of Michael Pesner from the Board of Directors and Mr. Sharad Mistry as the Chief Financial Officer of the Company. Miss. Dawn Leeder was appointed the Chief Financial Officer of the Company.
- On June 30, 2016 the Company held its annual general meeting of shareholders.
- On June 27, 2016 the Company announced the initial coverage research report by Fundamental Research Corporation.
- On June 13, 2016 the Company announced the release of its new Low Power BLE Module WE7220B0 from its wireless connectivity solution.
- On May 30, 2016 the Company announced the results of the quarter ending March 31, 2016.
- On May 24, 2016 the Company announced the coverage of research report by Dr. Kalliwoda International Research GmbH.
- On May 18, 2016 the Company announced the release of its new FC7 series of highly customizable clock oscillator with Phase Loop Lock (PLL) Technology.
- On March 18, 2016 the Company entered into a new \$ 2 million revolving credit facility ("Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the agreement, the Company is required to deposit \$500 with the bank to serve as collateral for the Facility, and that \$500 is presented as restricted cash on the consolidated statement of financial position. Borrowings up to \$500 are available until the Company meets two financial covenants (defined below), fully collateralized by the deposit. Once the financial covenants are met, the collateral of \$500 will be returned to the Company. From that point, borrowings are limited based on a percentage of trade accounts receivable and inventories. The financial covenants were not met at the end of any quarter of 2016 and it is unknown if the Facility will be available for any portion of 2017.

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

### Financial covenants:

- Balance sheet leverage of less than or equal to 3, defined as total liabilities divided by tangible net worth tested on a quarterly basis.
- Minimum net income greater than one dollar, tested on a quarterly basis on a rolling twelve month basis.
- On February 29, 2016 the Company announced receipt of 3 year purchasing agreement from Rockwell Collins
- On February 4, 2016 the Company filed Articles of Organization with the Wisconsin Department of Financial Institutions to establish Wi2Wi, LLC, ("LLC") a wholly-owned subsidiary of Wi2Wi Inc., ("Inc.") and Inc., entered into an operating agreement with LLC to conduct all or a portion of the Company's business in the State of Wisconsin.
- On January 4, 2016 the Company announced the release of new Surface Mount (SM) series of military packaging for the Lumped Crystal Filter family of products.

**Results of Operations:**

The audited consolidated financial statements for the years ended December 31, 2017 and 2016 form an integral part of this MD&A. All amounts are expressed in thousands of U.S. dollars unless otherwise noted.

**Selected Annual Information:**

The following table sets forth selected annual information from the audited consolidated financial statements for the years ended December 31, 2017, 2016, and 2015:

Year ended	2017	2016	2015
In thousands of Dollars (except for number of shares and per share data)			
Revenue	9,610	10,045	14,306
Net income (loss) from operations	673	(103)	423
Gain (loss) on conversion of debt	-	-	1,335
Net income and total comprehensive income	136	7	1,620
Net income per share	0.0008	0.00005	0.02
Cash flow from operations	796	210	542
Total assets	8,106	7,620	7,712
Shareholders' equity	6,010	5,647	5,536

The net income per share has been calculated based on 158,027,092, 133,027,744 and 102,988,896 weighted average number of common shares outstanding for the years ending December 31, 2017, 2016, and 2015 respectively.

**Summary of Quarterly Results:**

The following table presents selected quarterly financial data for the last eight quarters.

Statement of results	2017	2017	2017	2017	2017
In thousands of Dollars	Q4	Q3	Q2	Q1	Total
	\$	\$	\$	\$	\$
Revenue	2,382	2,306	2,568	2,354	9,610
Income (loss) from operations	621	10	37	5	673
Net income and total comprehensive income	109	15	10	2	136
-per share basic and diluted (in \$)	0.0007	0.0001	0.00007	0.000	0.0008
Statement of results	2016	2016	2016	2016	2016
In thousands of Dollars	Q4	Q3	Q2	Q1	Total
	\$	\$	\$	\$	\$
Revenue	2,707	2,482	2,499	2,357	10,045
Income (loss) from operations	288	(17)	(98)	(276)	(103)
Gain/(loss) on conversion of debt	-	-	-	-	-
Net income/(loss) and total comprehensive income/(loss)	270	7	5	(275)	7
-per share basic and diluted (in \$)	0.002	0.000	0.000	(0.002)	0.00005

## Revenue

	Year Ending December 31, 2017	Year Ending December 31, 2016
In thousands of Dollars	\$	\$
Revenue	9,610	10,045

Revenues for the year ended December 31, 2017 and 2016 were \$9,610 and \$10,045 respectively.

The decrease in revenues for the year 2017 ending December 31, 2017 as compared to same period in 2016 was due to:

- A few of the key customers went through mergers and acquisitions in the second half of 2017. Although, the Company expects increased revenue in the future, 2017 revenue was slightly affected due to the delay in the approval of such mergers. The Company anticipate revenue growth within the new merged entities after the entities complete the consolidation of their operations.
- The Company continues to invest heavily in R&D to create best in class products targeting its premium markets.
- The Company has increased its production capacity and further streamlined its manufacturing operations.
- The Company has released 11 new best in class products in 2017. A number of potential customers are in process of evaluating the Company's new products. However, the Company does not recognise a design win until the end customer product certification and qualification is complete. The Company has already received production orders from its marque customers in avionics for few of the new products released.
- The Company has hired a Vice President of Sales and Marketing and has increased the head count in sales and marketing to actively promote its products and services and to manage increased customer interest. In order to streamline sales and better manage customer service, the Company has expanded its partnership with new distributors and new manufacturing representatives.
- Investment in new frequency control devices and precision timing devices will take approximately 24 to 36 months to generate meaningful revenues due to the nature of the market, e.g. Military, Space and Avionics. Products designed-in will have to go through rigorous qualification testing, and in certain case in need of government approval process in order to qualify.
- Investment in new wireless connectivity solutions products will take approximately 12 to 24 months to generate meaningful revenues depending on the application. Products designed into medical applications can take longer due to Federal Drug Administration requirements, while products for smart home applications can take significantly less time.

The Company spent significant time and efforts to win the confidence of its marquee customers by delivering products on time and providing the desired quality required by customers. Due to the Company's performance and commitment to its customers, the Company continues to develop customer's confidence.

The Company relies on direct sales as well as its distribution network to sell its products, supported by the sales team and the sales representative network that has been established in North America, European Union and in Asia Pacific.

Revenue is recorded and collected in the functional currency of its self-sustaining foreign subsidiary, Wi2Wi Inc., in its local currency being US dollars.

## Gross Profit

	Year Ending December 31, 2017	Year Ending December 31, 2016
In thousands of Dollars	\$	\$
Gross profit	2,781	3,201
Gross profit %:	29%	32%

Cost of revenues consist of the costs of parts; costs incurred with contract manufacturers to assemble and test the Company's products, as well as the direct and indirect costs incurred to control and test the in-house and outsourced manufacturing and supply chain.

Gross profit for the year ended December 31, 2017 and December 31, 2016 were \$2,781 and \$3,201 respectively. Gross margins decreased 3% for the year ended on December 31, 2017 over 2016. The decrease in gross margin is due to the change in the product mix shipped to the customers. The Company continues to work on increasing the gross margin.

Gross Margins can fluctuate depending on the product mix shipped in that period. The frequency control products are manufactured in house and are very labour intensive, and on an average, yield gross margins in the region of 28%. Wireless connectivity solutions products yield margins typically over 50%. The Company continue to invest in new machinery and manufacturing yield and such efforts effect the increase of margins.

As production runs increase for the new generation of products, it is possible to negotiate lower pricing for products and assembly costs, which constitutes the major portion of cost of products sold. Lower volumes will have an adverse effect on the ability to achieve meaningful cost reductions. Despite the small size of the Company's products, logistics costs are high as much of this cost relates to air shipments into and out of the Far East. Larger shipment sizes will reduce the per-unit cost.

#### Research and Development Expenses

In thousands of Dollars	Year Ending December 31, 2017 \$	Year Ending December 31, 2016 \$
R&D	924	1,140

Research and development expenses consist primarily of expenses related to the design of the Company's products and development of prototypes. Research and development expenses for the year ended December 31, 2017 and 2016 were \$924 and \$1,140 respectively, a decrease of 19%. The decrease is primarily due to the wireless connectivity engineering transitioning to Hyderabad, India.

The Company has released 11 new best in class products in 2017. A number of potential customers are in process of evaluating the Company's new products. The Company has already received production orders from its marque customers in avionics for few of the new products released. However, the Company does not recognise a design win until the end customer product certification and qualification is complete.

The Company has a forward looking program not only for upgrading its current product range, but in utilizing these, where possible, in developing further applications for key market segments, shortening the cycle from inception to delivery. The Company has stream lined and revised its product development strategy for both wireless connectivity solutions and frequency control devices business. The Company has released 10 best in class products to market in the year ended December 31, 2017. The company continues to invest heavily in research and development and anticipates many new products releasing to the market place in the coming several months.

Utilizing the engineering expertise, research and the manufacturing facility available in Middleton, Wisconsin, the Company anticipates to provide subsystems and systems products to the market place. This is another key element that will move the Company ahead with its efforts and for it to build on its reputation as a solution provider to the market place.

#### Selling, General and Administrative Expenses (SG&A)

In thousands of Dollars	Year Ending December 31, 2017 \$	Year Ending December 31, 2016 \$
SG&A:	1,176	2,134

Revenue for connectivity solutions is generated through the distributor network. These partners will hold inventory and ship to customers when orders are received through the Wi2Wi sales network or through their own infrastructure. The Wi2Wi sales network is managed through the sales staff and inside sales staff, who are supported by a global network of specialized representatives who are compensated based on the level of revenue they generate each quarter.

SG&A expenses for the year ended December 31, 2017 and December 31, 2016 were \$1,176 and \$2,134 respectively, a decrease of 45%. The decrease for the year ended December 31, 2017 as compared to 2016 is principally due to further consolidation of various administrative and financial functions from San Jose to Middleton, corporate staff reduction, control over legal, other professional fees, other overhead costs and the reversal of the legal accrual of \$650.

Stock compensation expenses were \$48 and \$104 for the year ended December 31, 2017 and 2016 respectively.

#### Other Income/Expenses

In thousands of Dollars	Year Ending December 31, 2017	Year Ending December 31, 2016
	\$	\$
Other		
Other Income	8	138
Total	8	138

Year ending December 31, 2017: \$8 relates to gain on currency translation. Year ending December 31, 2016: \$138 relates to actual cash received on a note receivable by PDI HK, which exceeds the fair value determined for the note receivable at the time it was acquired as part of the Company's acquisition of Precision Devices.

The warrant liability revaluation was \$529 for the year ending December 31, 2017, and there was no such item incurred for the year ending December 31, 2016.

#### Interest Income (Expense)

In thousands of Dollars	Year Ending December 31, 2017	Year Ending December 31, 2016
	\$	\$
Interest	1	(8)

Interest income (expense) for the years ended December 31, 2017 and 2016 was \$1 and \$(8) respectively.

Interest income in 2017 relates to restricted cash on the Wells Fargo line of credit and interest expense in 2016 relates to a new operating lease for manufacturing equipment located in Middleton.

#### Legal proceedings

##### Claim against former directors of the Company

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

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

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

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

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

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

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#### **Liquidity and Capital Resources:**

As of December 31, 2017, the Company had cash of \$1,651 compared to \$563 as of December 31, 2016. The Company had a net working capital of \$5,457 as of December 31, 2017 compared to working capital of \$4,235 as at December 31, 2016. Shareholders' equity was \$6,010 compared to \$5,647 at December 31, 2017 and December 31, 2016 respectively. The Company generated positive cash flow during the year ended December 31, 2017 of \$1,088 compared to \$(390) for the year ended December 31, 2016.

The Company has managed capital by budgeting for its working capital needs, and securing debt and equity financing in order to fund its operations. However sources for capital are difficult to come by.

The Company has contractual obligations for future minimum lease payments under non-cancellable operating leases as of December 31, 2017 as follows:

<b>Year</b>	<b>Amount</b>
2018	577
2019	565
2020	176
<b>Total</b>	<b>\$1,318</b>

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#### **Share Capital:**

The Company's outstanding Common Shares are 145,527,418 and 133,027,744 at December 31, 2017 and 2016, respectively.

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#### **Investment Activities**

Cash flow related to investment activities consisted of expenditures for property and equipment. In the year ended December 31, 2017, capital expenditures amounted to \$224 compared to \$100 in the year ended December 31, 2016. The Company will be looking to increase its capital budget over the next 24 months.

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#### **Off Balance Sheet Arrangements**

There were no off balance sheet transactions entered into during the year, nor are there any outstanding as of the date of this MD&A.

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#### **Related Party Transactions**

In April 2017, the Company raised CAD \$700 through a Private Placement. The majority of the funding was from the board of directors and from the current investors. The Company incurred expenses related to travel by directors and officers of \$35 and \$25 in the years ending December 31, 2017 and 2016 respectively.

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#### **Application of Critical Accounting Estimates**

The Company's financial statements for the period ending December 31, 2011 were the first financial statements prepared in accordance with IFRS. The significant accounting policies used by the Company and critical accounting estimates and judgments made by the Company are disclosed in Notes 5 and 6 to the audited consolidated financial statements for the year ended December 31, 2017 and 2016, which are available on Sedar at [www.sedar.com](http://www.sedar.com).

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The emergence of new information and changed circumstance may result in actual results or changes to estimate amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

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

#### **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 improvement.

Useful lives and amortization methods are reviewed annually.

#### **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:

<b>Financial Instrument</b>	<b>Category</b>	<b>Measurement Method</b>
Cash	Loans and receivables	Fair value
Restricted cash	Loans and receivables	Fair Value
Trade accounts receivable	Loans and receivables	Amortized cost
Investment in Legend shares	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Warrants	FVTPL	Fair value

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

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 income and comprehensive income.

## Income Taxes

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

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

## Foreign Currency Translation

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The Company's presentation and functional currency is the US dollar. The functional currency of the Company's self-sustaining foreign subsidiary, Wi2Wi Inc., is its local currency of US dollars. The functional currency of Wi2Wi (India) PRIVATE LIMITED foreign subsidiary is its local currency of Rupees.

There were no significant gains or losses arising from transactions denominated in currencies other than the functional currency for the period ended December 31, 2017 and 2016.

## Revenue Recognition

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The Company generates revenue through direct sales to its customers, as well as through distributors. 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 Company 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 Company; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

## Research and Development

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Research costs are expensed and development costs are capitalized as an asset if certain criteria are satisfied. The development costs incurred in the years ended December 31, 2017 and December 31, 2016 respectively, did not satisfy the criteria and therefore were expensed.

## Share-Based Payments

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

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

## IFRS

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Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

In 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers." The new accounting standard requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the

consideration to which the entity expects to be entitled in exchange for those goods or services, as well as, a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard becomes effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 will be applied by the Company on January 1, 2018 using the modified retrospective adoption method. One item the Company is evaluating is whether or not the Company's revenue recognition on sales to certain distributors may be recorded at the time of shipment to the distributor, as opposed to when the distributor has sold the product to a third party. The Company does not expect that item to have a material impact on the financial statements. The Company's evaluation of the standard is ongoing, and no material impact on the Company's financial statements is expected. Additional disclosures will be required upon implementation to provide sufficient information to enable users to understand the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected credit loss' impairment model and a substantially reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Earlier adoption is permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements and no material impact is expected.

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

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

In 2016, the IASB issued the final amendments to IFRS 2, Share-based Payments ("IFRS 2") that clarify the classification and measurement of share-based transactions, consisting of: accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. The Company evaluated the impact of adopting these amendments on the consolidated financial statements. No material impact is expected on Company's consolidated financial statements of income.

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

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

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

#### **Non-GAAP Measures**

The Company has not used non-GAAP measures in this MD&A.

#### **Risk Factors**

The Company's business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. The risks and uncertainties described below are those which the Company currently believe to be material, and do not represent all of the risks that the Company faces. Additional risks and uncertainties, not presently known, may become material in the future or those risks that are currently believed to be immaterial may become material in the future. If any of the following risks actually occur, alone or in combination,

the Company's business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

### **Lengthy Sales Cycle**

The Company's customers will typically perform numerous tests and extensively evaluate its products before incorporating them into their systems. The time required for the testing, evaluation and design of the Company's products into a customer's equipment can take 18 months or more. Because of this lengthy sales cycle, the Company may experience a delay between the time when it increases expenses for research and development and sales and marketing efforts and the time when it generates higher revenues, if any, from these expenditures. In addition, the delays inherent in its lengthy sales cycle raise additional risks of customer decisions to cancel or change product plans. When it achieves a design win, there can be no assurance that the customer will ultimately ship products incorporating its products. The Company's business could be materially adversely affected if a significant customer curtails, reduces or delays orders during the sales cycle or chooses not to release products incorporating the Company's products. The Company's customers are not obligated to purchase products that the Company has designed for them and may cancel their orders at any time.

### **Competition**

The Company will face significant competition. The market for IoT, connectivity solutions and precision timing and frequency control products is highly competitive and rapidly evolving. More established and larger companies with strong brands and greater financial, technical and marketing resources that compete with Wi2Wi and this competition is expected to intensify, and thus the Company may be unsuccessful in competing against current and future competitors. Many of the Company's competitors and potential competitors have longer operating histories, greater name recognition, complementary product offerings, a larger customer base, and longer relationships with customers and distributors, and significantly greater financial, sales, marketing, manufacturing, distribution, technical, and other resources than the Company has. As a result, they may be able to respond more quickly to customer requirements, to devote greater resources to the development, promotion, and sales of its products and to influence industry acceptance of their products better than the Company can. These competitors may also be able to adapt more quickly to new or emerging technologies or standards and may be able to deliver products with performance comparable or superior to that of the Company's products at a lower cost.

### **Customers**

The Company sells products to OEM's, enterprises, distributors, and have sales agreements with customers comprising a significant portion of our revenue. The Company's business and future success depends on the Company's ability to maintain and build on existing relationships and develop new relationships with OEMs, enterprises, distributors, resellers and network operators. If certain of the significant customers, for any reason, discontinues their relationship with us or reduces or postpones current or expected purchase orders for products, or suffers from business loss, our revenues and profitability could decline materially.

### **Reliance on Third Party Distributors and Sales Representatives**

The Company has entered into relationships with distributors and sales representatives to sell its products, and the Company will be unable to predict the extent to which these partners will be successful in marketing and selling its products. Moreover, its distributors and sales representatives may also market and sell competing products. The Company's future performance will also depend, in part, on its ability to attract additional distributors or sales representatives that will be able to market and support its products effectively, especially in markets in which it has not previously distributed its products. If it cannot retain or attract quality distributors or sales representatives, its sales and results of operations will be harmed. The inability of the Company to enter into contracts with qualified individuals could have an effect on the growth of the Company's business within the aforementioned regions.

### **Loss of Key Personnel Due To Competitive Market Conditions and Attrition**

The Company's success will depend to a significant extent upon its senior management and key technical and sales personnel. The loss of one or more of these employees could have a material adverse effect on our business. The Company success will depend on its ability to attract and retain qualified technical, sales and marketing, customer support, financial and accounting, and managerial personnel. Competition for such personnel is intense, and it may not be able to retain its key personnel or to attract, assimilate or retain other highly qualified personnel in the future. In addition, it may lose key personnel due to attrition, including health, family and other reasons. The Company may experience difficulty in hiring and retaining candidates with appropriate qualifications. If the Company does not succeed in hiring and retaining candidates with appropriate qualifications, its business could be materially adversely affected.

### **Reliance on Industry Partners**

The Company will rely on industry partners including suppliers, contractors and joint venture parties in executing its business strategy and operations. As a result, the Company may be exposed to third party credit risk through its contractual arrangements with its current or future suppliers, contractors and joint venture parties. In the event that such entities fail to meet their contractual obligations to the

Company, such failures could have a material adverse effect on the Company and its ability to implement its business strategy and operations.

### **Liquidity Concerns and Future Financings**

The Company will require significant capital and operating expenditures in connection with its operations. The Company's future capital commitments will likely exceed its cash resources, which would require the Company to raise additional financing. The development, design and promotion of the Company's products will be very expensive, with a substantial period of time occurring before production can commence. In addition, the Company may incur major unanticipated liabilities or expenses. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There is a risk that interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount that the Company pays to service future debt incurred by the Company and affect the Company's ability to fund ongoing operations. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. It may be difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms. This may be further complicated by the limited market liquidity for shares of smaller companies such as the Company, restricting access to some institutional investors. Failure to obtain additional financing on a timely basis could result in delay or indefinite postponement of further development of its products. Such delay would have a material and adverse effect on the Company's business, financial condition and results of operations.

### **Protection of Intellectual Property and Proprietary Rights**

The Company's future success and competitive position depends in certain part upon its ability to obtain and maintain proprietary technology used in its principal products. Currently, it has limited protection of its intellectual property in the form of patents. Its existing or future patents may be invalidated, circumvented, challenged or licensed to others. The rights granted thereunder may not provide competitive advantages to the Company. In addition, the Company's current and future patent applications may not be issued with the scope of the claims sought by it, if at all. Furthermore, others may develop technologies that are similar or superior to the Company's technology, duplicate the Company's technology or design around the patents owned or licensed by it. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in foreign countries where the Company may require protection. The Company cannot be sure that steps taken by it to protect its technology will prevent misappropriation of the technology. The Company may from time to time receive notifications of claims that it may be infringing patents or other intellectual property rights owned by third parties.

### **Intellectual Property Litigation**

The Company may become involved with costly and lengthy litigation involving its patents and other intellectual property, which could subject it to liability, require it to indemnify customers or end-users, require it to obtain or renew licenses, stop selling its products or force it to redesign its products. Litigation involving patents and other intellectual property is widespread in the high-technology industry where a number of companies and other entities aggressively bring numerous infringement claims to assert their patent portfolios. These claims could result in litigation and/or claims for indemnification, which, in turn, could subject the Company to significant liability for damages, legal fees and costs. Any potential intellectual property litigation also could force the Company to do one or more of the following:

- stop selling, offering for sale, making or having made products or technology that contains the allegedly infringing intellectual property;
- limit or restrict the type of work that employees involved in such litigation may perform for the Company;
- pay substantial damages and/or license fees and/or royalties to the party claiming infringement that could adversely impact the Company's liquidity or operating results;
- attempt to obtain or renew licenses to the relevant intellectual property, which licenses may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

### **Reliance of Information Technology Systems**

The Company will rely upon the performance of its information technology systems to process, transmit, store and protect electronic information, and the failure of any critical information technology system may result in serious harm to its reputation, business, and results of operations and/or financial condition. It will be dependent on technology infrastructure and maintains and relies upon certain critical information systems for the effective operation of its business. These information technology systems include telecommunications, the Internet, various computer hardware and software applications, network communications and e-mail. These information technology systems are subject to damage or interruption from a number of potential sources including natural disasters, viruses, destructive or inadequate code, malware, power failures, cyber-attacks, and other events. To the extent that these information systems are under the Company's control, it has implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks. It may incur significant costs in order to implement, maintain and/or update security systems that it feels are

necessary to protect its information systems. A material breach in the security of its information systems could include the theft of its intellectual property or trade secrets, negatively impact its operations, or result in the compromise of personal and confidential information of its employees, customers or suppliers. While the Company will take necessary action to ensure that its information technology systems are appropriately controlled and that it has processes in place to adequately mitigate these risks, security procedures for information systems cannot be guaranteed to be failsafe. To the extent that any system failure, accident or security breach results in disruptions or interruptions to its operations or the theft, loss or disclosure of, or damage to its data or confidential information, its reputation, business, results of operations and/or financial condition could be materially adversely affected. In addition, a miscalculation of the level of investment needed to ensure its technology solutions are current and up-to-date as technology advances and evolves could result in disruptions in its business should the software, hardware, or maintenance of such items become out-of-date or obsolete. Furthermore, when the Company implements new systems and/or upgrade existing systems, there is a risk that its business may be temporarily disrupted during the period of implementation.

### **Foreign Operations**

A portion of the Company's business, as it relates to certain of the Company's contract manufacturers and a number of the Company's customers, will be conducted outside of the United States and Canada. As a result, it is subject to foreign business, political and economic risks. Some of its products will be developed and/or manufactured outside of North America. In addition, many of its customers are located outside of North America, which further exposes it to foreign risks. The Company's operations outside of North America are directly influenced by the political and economic conditions of the region in which they are located. The Company anticipates that its research, development, manufacturing, assembly, testing and sales outside of North America will continue to account for a significant portion of its operations and revenue in future periods. Accordingly, it is subject to risks associated with international operations, including:

- political, social and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions;
- compliance with domestic and foreign export and import regulations, and difficulties in obtaining and complying with domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws, and laws and practices that favour local companies;
- difficulties in staffing and managing foreign operations;
- natural disasters;
- trade restrictions or higher tariffs;
- transportation delays;
- difficulties of managing distributors;
- less effective protection of intellectual property than is afforded to us in North America or other developed countries;
- inadequate local infrastructure; and
- exposure to local banking, currency control and other financial-related risks.

The sudden disruption of the supply chain and/or the manufacture of its customer's products caused by any of the foregoing risks could impact the Company's results of operations by impairing its ability to timely and efficiently deliver its products. Moreover, the international nature of its business subjects it to risks associated with the fluctuation of the U.S. dollar versus foreign currencies. Decreases in the value of the U.S. dollar versus currencies in jurisdictions where its third party manufacturers are located have significant costs and will increase the cost of such operations, which could harm its results of operations. If a major earthquake, flood, typhoon, tsunami or other natural disaster were to affect the Company's operations or those of its suppliers, the Company's product supply or testing schedule could be interrupted, which would seriously harm its business. Natural disasters could also affect the operations of the distributors and contract manufacturers it sells to, as well as the operations of its end use customers, which would adversely affect its operations and financial results. Natural disasters anywhere in the world may potentially adversely affect the Company by harming or causing interruptions to its supply chain or the supply chains of its suppliers, direct customers or end use customers.

### **Managing Growth**

In order to manage growth and change in strategy effectively, The Company must continue to:

- a) maintain adequate systems to meet customer demand;
- b) expand research and development, sales and marketing, technical support, distribution capabilities and administrative functions;
- c) expand the skills and capabilities of its current management team;
- d) attract and retain qualified employees; and
- e) raise sufficient capital to fund these growth strategies

While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

## **Tax Risks**

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in numerous tax jurisdictions, including international jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses. The Company will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities.

The determination of the Company's worldwide provision for income taxes and other tax liabilities will require significant judgment. The Company believes that it will adequately provide for income taxes based on all of the information that is currently available.

## **The Global Economy**

The Company's business is in the United States, Europe, India and the Asia-Pacific region and the Company is exposed to the downturns and current uncertainties that impact its business in those economies. Economic uncertainty may cause an increased level of commercial and consumer delinquencies, lack of consumer confidence resulting in delayed purchases or reduced volumes by the Company's customers, credit tightening by lenders, increased market volatility and widespread reduction of business activity generally. To the extent that the Company may experience further economic uncertainty, or deterioration in one of the large markets in the United States, Europe or the Asia-Pacific region, the resulting economic pressure on the customers may cause them to end their relationship with the Company, reduce or postpone current or expected orders, or suffer from business failure, resulting in a material adverse impact to revenues, profitability, cash flow and bad debt expense.

Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors may impact the Company negatively.

## **Price and Volatility of Public Stock**

The trading price of the Company's Common Shares will be subject to change and could in the future fluctuate significantly, which might not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of the Company. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the Company's Common Shares. It may be anticipated that any market for the Company's Common Shares will be subject to market trends generally and the value of the Company's Common Shares on the TSX-V may be affected by such volatility. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. In the past, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the Company's Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of the Company. These broad market fluctuations may cause a decline in the market price of the Company's Common Shares.

With the advent of the Internet, new avenues have been created for the dissemination of information. The Company has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company's best interest and the best interests of its shareholders. This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the Company's Common Shares.

*Various risk factors are also described in comments made in this MD&A.*

## **Further Information**

Additional information on the Company may be obtained on SEDAR at [www.sedar.com](http://www.sedar.com)