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UNITY WIRELESS CORP
Form 10QSB
August 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended JUNE 30, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-30620

UNITY WIRELESS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 91-1940650
(State or other jurisdiction of (I.R.S. Employer Identification Number
incorporation or organization)

7438 FRASER PARK DRIVE, BURNABY, BRITISH COLUMBIA, CANADA, V5J 5B9
(Address of principal executive offices)

(800) 337-6642
(Issuer's Telephone Number)

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

Number of shares of common stock outstanding at August 14, 2003: 45,388,509

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

45,388,509 common shares outstanding as at August 14, 2003

Transitional Small Business Disclosure Format (Check one): Yes No

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Financial Statements
(Expressed in United States dollars)

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UNITY WIRELESS CORPORATION

(Prepared in accordance with
United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002
(unaudited) Year ended December 31, 2002

UNITY WIRELESS CORPORATION

Consolidated Balance Sheets

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

| | | June 30, 2003 | |
|--|----|------------------|-------------|
| | | | (Unaudited) |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ | 3,955 | \$ |
| Restricted cash (note 4) | | 96,734 | |
| Accounts receivable (less allowance for doubtful accounts of \$11,166 (December 31, 2002 - \$33,059)) | | 546,207 | |
| Government grant receivable | | - | |
| Inventory (note 3) | | 774,003 | |
| Prepaid expenses and deposits | | 53,500 | |
| | | 1,474,399 | |
| Deferred financing cost | | - | |
| Equipment, net | | 184,702 | |
| Patents | | 5,672 | |
| Goodwill | | 741,596 | |
| | | \$ 2,406,369 | \$ |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Bank indebtedness (note 4) | \$ | 225,377 | \$ |
| Accounts payable and accrued liabilities (note 5) | | 1,411,539 | |
| Loans payable (note 6) | | 138,347 | |
| Product warranty (note 10(c)) | | 36,975 | |
| | | 1,812,238 | |
| Convertible debenture | | 204,444 | |

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2,016,682

Stockholders' equity:

| | |
|---|--------------|
| Common stock, \$0.001 par value 100,000,000 authorized, 37,172,405 (December 31, 2002 - 35,016,894) issued and outstanding | 37,172 |
| Additional paid-in capital | 15,939,809 |
| Accumulated deficit | (15,710,914) |
| Accumulated other comprehensive income: | |
| Cumulative translation adjustments | 123,620 |
| | ----- |
| | 389,687 |
| | ----- |
| | \$ 2,406,369 |
| | ----- |

Commitments (note 9)
Contingent liabilities (note 10)

See accompanying notes to consolidated financial statements.

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UNITY WIRELESS CORPORATION
Consolidated Statements of Operations and Deficit
(Unaudited)
(Expressed in United States dollars)
(Prepared in accordance with United States generally accepted accounting principles)

| | Three months ended | |
|---|--------------------|------------------|
| | June 30, 2003 | June 30, 2002 |
| Net sales | \$ 1,701,021 | \$ 273,756 |
| Cost of goods sold (3 month data includes stock-based compensation expense of nil in 2003 and \$520 in 2002; 6 month data includes stock-based compensation expense (recovery) of nil in 2003 and \$(19,221) in 2002; and excludes depreciation and amortization shown separately below) | 989,425 | 447,395 |
| | ----- | ----- |
| | 711,596 | (173,639) |
| Expenses: | | |
| Research and development (3 month data includes stock-based compensation expense of \$3,251 in 2003 and \$8,905 in 2002; 6 month data includes stock-based compensation (recovery) of \$(13,986) in 2003 and \$(56,433) in 2002) | 96,997 | 584,135 |
| Government grant | (98,069) | (65,348) |
| Sales and marketing (3 month data | | |

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| | | |
|---|-----------------|-----------------|
| includes stock-based compensation expense (recovery) of \$2,235 in 2003 and \$(397) in 2002; 6 month data includes stock-based compensation (recovery) of \$(17,571) in 2003 and \$(61,123) in 2002) | 68,884 | 259,376 |
| Depreciation and amortization | 13,253 | 22,944 |
| Exchange loss | 31,509 | 13,375 |
| Interest expense | 108,296 | 3,536 |
| General and administrative (3 month data includes stock-based compensation expense of \$6,060 in 2003 and \$30,002 in 2002; 6 month data includes stock-based compensation (recovery) of \$(22,980) in 2003 and \$(84,737) in 2002) | 286,460 | 391,875 |
| | 507,330 | 1,209,893 |
| Operating earnings (loss) for the period | 204,266 | (1,383,532) |
| Interest income | - | 1,289 |
| Other income | 1,304 | 198 |
| Earnings (loss) for the period | 205,570 | (1,382,045) |
| Deficit, beginning of period | (15,916,484) | (13,033,276) |
| Deficit, end of period | \$ (15,710,914) | \$ (14,415,321) |
| Basic income (loss) per common share (note 7(b)) | \$ 0.006 | \$ (0.043) |
| Diluted income (loss) per common share | 0.006 | (0.043) |

See accompanying notes to consolidated financial statements.

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UNITY WIRELESS CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in United States dollars)
(Prepared in accordance with United States generally accepted accounting principles)

Three months ended

Six months

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| | June 30, 2003 | June 30, 2002 | June 30, 2003 |
|---|------------------|------------------|------------------|
| Operations: | | | |
| Earnings (loss) for the period | \$ 205,571 | \$ (1,382,045) | \$ (215,784) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Amortization of patents | 709 | 455 | 2,836 |
| Accretion of discount on convertible loan | 38,136 | - | 67,197 |
| Depreciation of equipment | 12,544 | 22,489 | 28,556 |
| Stock-based compensation | 11,546 | 39,030 | (54,537) |
| Gain on settlement of debt | - | - | - |
| Changes in non-cash working capital relating to operations: | | | |
| Accounts receivable | (392,173) | 256,891 | (261,140) |
| Government grant receivable | 12,514 | (30,268) | 31,651 |
| Inventory | (75,831) | 342,150 | (219,645) |
| Prepaid expenses | (5,155) | 5,869 | (7,433) |
| Accounts payable and accrued liabilities | 134,766 | (77,380) | 176,297 |
| | (57,373) | (822,809) | (452,002) |
| Investments: | | | |
| Acquisition of equipment | - | (43,834) | - |
| Disposition of equipment | - | - | 2,582 |
| Increase in patents and licenses | - | (33,847) | - |
| Other receivables | - | 9,232 | - |
| | - | (68,449) | 2,582 |
| Financing: | | | |
| Restricted cash | 535 | (4,113) | 5,608 |
| Bank indebtedness | 84,161 | 21,165 | 99,662 |
| Repayment of loan payable | (28,232) | - | (90,874) |
| Cash proceeds from issued and to be issued common shares | - | 714,167 | - |
| Common shares issued upon warrants exercised | 12,903 | - | 12,903 |
| Share issue costs | (16) | (54,906) | (1,880) |
| Obligations under capital lease | - | (13,046) | - |
| | 69,351 | 663,267 | 25,419 |
| Effect of foreign exchange rate changes on cash and cash equivalents | (8,462) | (6,764) | 92,138 |
| Increase (decrease) in cash | 3,516 | (234,755) | (331,863) |
| Cash, beginning of period | 439 | 639,032 | 335,818 |
| Cash, end of period | \$ 3,955 | \$ 404,277 | \$ 3,955 |

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Supplementary information (note 11)

See accompanying notes to consolidated financial statements.

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

1. BASIS OF PRESENTATION:

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for a complete set of annual consolidated financial statements. In the opinion of management, all adjustments (consisting solely of normally recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ending June 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003 or for any other period.

For further information, refer to the consolidated financial statements and footnotes thereto included in Unity Wireless Corporation's (the "Corporation") annual report on Form 10-KSB for the year ended December 31, 2002. Except as indicated in note 2(c), the accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those applied in the consolidated financial statements filed with the Corporation's annual report.

These financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Operations to date have been significantly financed by long-term debt and equity transactions. At June 30, 2003, the Corporation will require additional financing to continue to operate at current levels throughout the year. Accordingly, the Corporation's future operations are dependent upon the identification and successful completion of additional long-term or permanent equity financing, the continued support of creditors and stockholders, and, ultimately, the achievement of profitable operations. There can be no assurances that the Corporation will be successful. If it is not, the Corporation will be required to reduce operations or liquidate assets. The Corporation will continue to evaluate its projected expenditures relative to its available cash and to seek additional means of financing in order to satisfy its working capital and other cash requirements. The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern.

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2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the same accounting policies and methods of application as those disclosed in the Corporation's financial statements for the year ended December 31, 2002, except for note 2(c):

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(a) Stock-based compensation:

The Corporation accounts for employee options using the intrinsic value method. Had compensation cost been determined based on the fair value at the grant dates for those options issued to employees, consistent with the method described in SFAS No. 123, the Corporation's loss and loss per common share would have been increased to the pro forma amounts indicated below.

| | Three months ended | | Six months |
|---|--------------------|----------------|--------------|
| | June 30, | June 30, | June 30, |
| | 2003 | 2002 | 2003 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Earnings (loss) for the period, as reported | \$ 205,570 | \$ (1,382,045) | \$ (215,784) |
| Add: employee stock-based compensation recognized | - | - | - |
| Less: additional stock-based employee compensation expense determined under fair value based method for all awards | (208,331) | 4,435 | (247,455) |
| Pro forma loss | \$ (2,761) | \$ (1,377,610) | \$ (463,239) |

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| | Three months ended | | Six months |
|--------------------|--------------------|-------------|-------------|
| | June 30, | June 30, | June 30, |
| | 2003 | 2002 | 2003 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Income (loss) | | | |
| per common shares: | | | |
| As reported | | | |
| Basic | \$ 0.006 | \$ (0.043) | \$ (0.006) |
| Diluted | 0.006 | (0.043) | (0.006) |
| Pro forma | | | |
| Basic | \$ 0.001 | \$ (0.043) | \$ (0.013) |
| Diluted | 0.001 | (0.043) | (0.013) |

The fair value of each option granted in 2003 and 2002 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividend yield; volatility of 156% (2002 - 148%); risk-free interest rate of 3.25% (2002 - 3.25%) and an expected life of four years.

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UNITY WIRELESS CORPORATION
Notes to Consolidated Financial Statements
(Expressed in United States dollars)
(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(a) Stock-based compensation (continued):

Stock option transactions for the respective periods and the number of stock options outstanding are summarized as follows:

| | Shares available under options | Number of common shares issuable | Outstanding opti |
|--|--------------------------------|----------------------------------|------------------|
| | | | |

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| | | |
|------------------------------------|-----------|-------------|
| Balance, December 31, 2002 | 3,292,638 | 5,111,417 |
| Options granted | (355,000) | 355,000 |
| Options expired | 1,329,209 | (1,329,209) |
| ----- | | |
| Balance, June 30, 2003 (unaudited) | 4,266,847 | 4,137,208 |
| ----- | | |

(b) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

(c) Recent accounting pronouncements:

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("FAS No. 150"), which establishes standards for how an issuer classifies and measures certain financial instruments which have characteristics of both liabilities and equity. FAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. We have adopted FAS No. 150, which had no effect on our consolidated financial statements.

In April 2003, the FASB issued FAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("FAS No. 149"), which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under FAS No. 133. FAS No. 149 is to be applied prospectively for certain contracts entered into or modified after June 30, 2003. We are currently evaluating the impact of FAS No. 149 on our financial results.

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(c) Recent accounting pronouncements (continued):

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"), which requires the consolidation of a variable interest entity by the primary beneficiary. FIN 46 also requires additional disclosure by both the primary beneficiary and enterprises that hold a significant variable interest in a variable interest entity. FIN 46 is applicable to variable interest entities created after January 31, 2003. Entities

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created prior to February 1, 2003 must be consolidated effective July 1, 2003. However, because we do not have any variable interest entities, there is no impact on our consolidated financial statements.

In November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 expands on previously issued accounting guidance and requires additional disclosure by a guarantor to recognize, at the inception of the guarantee, a liability for the fair value of an obligation assumed by issuing a guarantee. The provision for initial recognition and measurement of the liability is applied on a prospective basis to guarantees issued or modified after December 31, 2002. The Corporation has adopted FIN 45 in these consolidated financial statements.

3. INVENTORY:

| | June 30, 2003 |
|----------------|------------------|
| | (Unaudited) |
| Raw materials | \$ 717,818 |
| Finished goods | 56,185 |
| | \$ 774,003 |

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

4. BANK INDEBTEDNESS:

In February 2002, the HSBC Bank of Canada revolving operating line was replaced with a \$85,161 (CDN\$125,000) operating line from CIBC Bank, at an interest rate of prime and secured by a \$85,161 (CDN\$125,000) guaranteed investment certificate and a general security interest in all the Corporation's assets. In March 2002, the Corporation arranged for a \$750,000 accounts receivable credit facility with CIBC at an interest rate of CIBC prime plus 1% and an administrative fee of 1% of invoice value.

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At June 30, 2003, the Corporation also had \$4,297 (2002 - nil) of cash held in trust with regards to venture capital fundraising. This amount has been classified as restricted cash at period-end.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

| | June 30, 2003 | |
|------------------------|------------------|-----------|
| | (Unaudited) | |
| Trade accounts payable | \$ | 916,839 |
| Accrued liabilities | | 494,700 |
| | \$ | 1,411,539 |

6. LOANS PAYABLE:

| | June 30, 2003 | |
|------------------|------------------|---------|
| | (Unaudited) | |
| Promissory notes | \$ | 138,347 |
| Current portion | | 138,347 |
| | \$ | - |

As at June 30, 2003, the Corporation was indebted to two parties for an aggregate of \$138,347 by way of promissory notes at interest rates ranging from 9.5% to 10.5% per annum. The promissory notes are repayable during 2003, except for one promissory note totaling \$100,000 which is repayable on demand.

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UNITY WIRELESS CORPORATION
 Notes to Consolidated Financial Statements
 (Expressed in United States dollars)
 (Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

7. COMMON STOCK: (a) Issued and outstanding
 During the period, the Corporation issued 1,897,447 common shares in

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settlement of \$212,553 of accounts payable for services rendered. 258,064 common shares were also issued upon exercise of warrants for cash proceeds of \$12,903.

(b) Loss per share:

The following table sets forth the computation of basic and diluted loss per share:

| | Three months ended | | Six months |
|--|--------------------|----------------|--------------|
| | June 30, | June 30, | June 30, |
| | 2003 | 2002 | 2003 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Numerator: | | | |
| Earnings (loss) available to common stockholder - Basic | \$ 205,570 | \$ (1,382,045) | \$ (215,784) |
| Interest on convertible debt | 53,274 | - | - |
| Earnings (loss) available to common stockholder - Diluted | \$ 258,844 | \$ (1,382,045) | \$ (215,784) |
| Denominator: | | | |
| Weighted average number of common shares outstanding - basic | 35,952,913 | 32,348,299 | 35,702,170 |
| Incremental shares on debt conversion | 10,092,367 | - | - |
| Weighted average number of common shares outstanding - Diluted | 46,045,280 | 32,348,299 | 35,702,170 |
| Basic income (loss) per common share | \$ 0.006 | \$ (0.043) | \$ (0.006) |
| Diluted income (loss) per common share | 0.006 | (0.043) | (0.006) |

For the three and six month periods ended June 30, 2003 and 2002, all of the Corporation's common shares issuable upon the exercise of outstanding stock options and warrants were excluded from the determination of dilutive loss per share as their effect would be anti-dilutive.

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Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

7. COMMON STOCK (CONTINUED):

(c) Warrants:

As at June 30, 2003, the Corporation has outstanding warrants to purchase 13,177,841 common shares at exercise prices ranging from \$0.10 to \$0.35 per share.

On March 6, 2003, the Board of the Corporation approved to amend and extend the expiry date of 2,317,857 warrants, which were issued on May 15, 2002, in conjunction with a private placement and having an exercise price of \$0.35 each, from an expiry date of May 14, 2003 to May 14, 2004.

In June and July 2003, the Company issued non-registered warrants to purchase 5,936,783 shares, at US\$0.10 per share, with an expiry date of July 15, 2005. Of the non-registered warrants, 258,064 were issued in June 2003 and the balance was issued in July 2003.

(d) Convertible debenture:

During the period, the Board of the Corporation agreed to amend the conversion price of all the convertible debentures from CDN\$0.15 to US\$0.06.

8. SEGMENTED INFORMATION:

(a) Segment information:

During the three and six month periods ended June 30, 2003 and 2002, the Corporation was operating only in the RF power amplifier segment.

(b) Geographic information:

Substantially all assets and operations are in Canada. A summary of sales by region of customer location is as follows (\$000):

| | Three months ended | | Six months |
|--|--------------------|-------------|-------------|
| | June 30, | June 30, | June 30, |
| | 2003 | 2002 | 2003 |
| | (Unaudited) | (Unaudited) | (Unaudited) |

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| | | | | | | |
|---------------|----|-------|----|-----|----|-------|
| Korea | \$ | - | \$ | 45 | \$ | 93 |
| China | | 520 | | 60 | | 518 |
| Sweden | | 134 | | 42 | | 165 |
| United States | | 907 | | 127 | | 1,113 |
| Israel | | 29 | | - | | 38 |
| Canada | | 111 | | - | | 115 |
| Other | | | | - | | 6 |
| ----- | | | | | | |
| Total sales | \$ | 1,701 | \$ | 274 | \$ | 2,048 |
| ----- | | | | | | |

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

8. SEGMENTED INFORMATION (CONTINUED):

(c) Major customers:

Sales to customers representing greater than 10% of total sales are as follows (\$000):

| | | |
|-------|------------------|----------|
| | Six months ended | |
| | June 30, | June 30, |
| | 2003 | 2002 |
| ----- | | |

(Unaudited) (Unaudited)

| | | |
|------------|---------------|---------------|
| Customer A | 452 | nil |
| Customer B | 963 | Less than 10% |
| Customer C | Less than 10% | 612 |
| Customer D | nil | 331 |
| Customer E | nil | 386 |
| ----- | | |

9. COMMITMENTS:

The Corporation has the following future minimum lease commitments for premises and equipment:

| | | |
|-------|----|--------|
| 2003 | \$ | 45,000 |
| 2004 | | 96,000 |
| ----- | | |

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| | |
|---------------------|---------|
| 2005 | 104,000 |
| 2006 | 106,000 |
| 2007 | 106,000 |
| 2008 and thereafter | 159,000 |

\$ 616,000

10. CONTINGENT LIABILITIES:

- (a) The Corporation is currently a party to an action in the Supreme Court of British Columbia, Vancouver Registry, brought by an optionholder seeking a declaration that 500,000 options to purchase shares in the common stock of the Corporation held by it have a term of unlimited duration.

The Corporation provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. It is the opinion of management, based in part on advice of legal counsel, that the ultimate resolution of this contingency, to the extent not previously provided for, will not have a material adverse effect on the financial condition of the Corporation.

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

10. CONTINGENT LIABILITIES (CONTINUED):

- (b) Contingent liability on sale of products:

(i) Under a certain license agreement, the Corporation is committed to royalty payments based on the sales of products using certain technologies. Royalties are paid between 6% to 7% of sales of licensed products sold integrating the XNN Technology into various products to a minimum of \$150,000 within twelve months subsequent to the first commercial sales of the integrated product. The Corporation recognizes royalty obligations as determinable in accordance with agreement terms.

(ii) Under an agreement with the Government's National Research Council Canada IRAP ("IRAP") program, the Corporation is eligible to receive conditionally repayable government assistance amounting to \$308,130 (CDN\$483,491) to support the development of a multi-carrier linear power amplifier. During the three and six month periods ended June 30, 2003, the Corporation claimed gross proceeds of \$14,796 (CDN\$21,516) and \$90,982 (CDN\$132,295), respectively, which have been recorded as government grant income. Under the terms of the agreement, an amount up to a maximum of \$536,312 (CDN\$725,236) is to be repaid at a rate of 1.5% of

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quarterly gross revenue commencing on September 1, 2003, on a quarterly basis.

(iii) Under an agreement with the Canada Israel Industrial Research & Development Foundation, the Corporation is eligible to receive conditionally repayable government assistance amounting to \$258,825 (CDN\$350,000) to support the development of digital repeater technology. During the three and six month periods ended June 30, 2003, the Corporation claimed gross proceeds of \$80,460 (CDN\$116,667) and \$80,460 (CDN\$116,667), respectively, which have been recorded as government grant income. Under the terms of the agreement, commencing with the first commercial transaction, 2.5% of yearly gross sales shall be paid until 100% of the grant has been repaid.

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

10. CONTINGENT LIABILITIES (CONTINUED):

(c) Product warranties:

The Corporation provides for estimated warranty costs at the time of product sale. Warranty expense accruals are based on best estimate with reference to historical claims experience. Since warranty estimates are based on forecasts, actual claim costs may differ from amounts provided. An analysis of changes in liability for product warranties follows:

| | | |
|-------------------------------------|----|----------|
| Balance, January 1, 2002 | \$ | 31,500 |
| Provision increase | | 20,276 |
| Expenditures | | (20,056) |
| <hr/> | | |
| Balance, December 31, 2002 | | 31,720 |
| Provision increase | | 4,390 |
| Expenditures | | (2,045) |
| <hr/> | | |
| Balance, March 31, 2003 (unaudited) | | 34,065 |
| Provision increase | | 6,879 |
| Expenditures | | (3,969) |
| <hr/> | | |
| Balance, June 30, 2003 (unaudited) | \$ | 36,975 |

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11. SUPPLEMENTARY INFORMATION:

| | Three months ended | | Six months |
|---|--------------------|------------------|------------------|
| | June 30, 2003 | June 30, 2002 | June 30, 2003 |
| (Unaudited) (Unaudited) | (Unaudited) | (Unaudited) | |
| Cash paid for: | | | |
| Interest | \$ 2,044 | \$ 3,535 | \$ 3,694 |
| Income taxes | - | - | - |
| Non-cash investing or financial activities: | | | |
| Issuance of common shares in settlement of accounts payable | \$ 152,174 | \$ - | \$ 212,553 |

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2003 and 2002 (unaudited) Year ended December 31, 2002

12. SUBSEQUENT EVENTS:

Subsequent to June 30, 2003, 7,427,677 warrants were exercised for total proceeds of \$383,973.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion of the financial condition, changes in financial condition, and results of operations of Unity Wireless Corporation should be read in conjunction with our most recent financial statements and notes appearing: (1) in this Form 10-QSB; and (2) the Form 10-KSB for the year ended December 31, 2002 filed on April 3, 2003.

The financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Operations to date have been primarily financed by borrowing and equity transactions. Our future operations are dependent upon the identification and successful completion of additional long-term or permanent equity financing, the continued support of creditors and stockholders, and, ultimately, the achievement of profitable operations. There can be no assurances that we will be successful. If we are not, we will be required to reduce operations or liquidate assets. We will continue to evaluate our projected expenditures relative to our available cash and to seek additional means of financing in order to satisfy our working capital and other cash requirements. The auditors' report on the audited consolidated financial statements for the fiscal year ended December 31, 2002 contained in the 10-KSB filed on April 3, 2003, includes an explanatory paragraph that states that as we have suffered recurring losses from operations, substantial doubt exists about our ability to continue as a going concern. The audited consolidated financial statements or the interim quarterly unaudited consolidated financial statements included with this quarterly report do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of

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activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "CDN\$" refer to Canadian dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our", and "Unity" mean Unity Wireless Corporation, unless otherwise indicated.

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GENERAL

We are in the business of designing, developing and manufacturing high power linear RF (radio frequency) amplifiers and specialized communications products targeting both the cellular and fixed wireless markets. Most of our products are high power amplifiers, defined as single and multi-channel power amplifiers used for sending signals from a network to a terminal such as a cell phone. Most are used in repeaters that are used to extend coverage in cellular telephone networks. Some products are also used in base station equipment. One product has been tested for digital television broadcasting in Korea, and one product is for base stations used in wireless local loop applications. Wireless local loop networks are sometimes referred to as "the last mile" solution - unlike cellular phone systems which are mobile wireless networks, wireless local loop is designed to deliver voice and high speed data (e.g., Internet) services to fixed locations such as homes and small offices without the need for special wiring via wireless communication devices.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 AND JUNE 30, 2002

Sales

Net sales in the second quarter of 2003 increased by 521% or \$1,427,265, to \$1,701,021 from \$273,756 in the second quarter of 2002. In the second quarter of 2002, we experienced a significant decline in sales from the first quarter of 2002 due to a slowdown in the telecommunications industry, increased competition in the Korean market, and one of our significant customers in the United States went bankrupt. Since then, we refocused our sales strategy, which transitioned our focus from one of short term relationships resulting in immediate sales to a focus on building long term relationships resulting in sales over several years. This refocused strategy, along with an improvement in market conditions of the wireless sector has resulted in increased sales.

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Cost of Goods Sold and Operating Expenses

Cost of goods sold during the second quarter of 2003 increased by 121%, or \$542,030, to \$989,425 from \$447,395 in the second quarter of 2002. However, as a percentage of revenue, cost of goods sold decreased from the second quarter of 2002 to the second quarter of 2003. The decrease was primarily a factor of reduced material costs, wages and benefits, sub-contract labour and testing equipment due to completing a refinancing and reduction of some of our test equipment, reducing and creating more efficiency in our staffing requirements and we started working with an outsource manufacturing company. As well, we have started producing larger runs for customers. These factors allow us to take advantage of better purchasing power and ensure that a consistent quality product is delivered on time. We anticipate that our cost of goods sold, as a percentage of sales, will be reduced during the remainder of 2003 as a result of further increased sales, better pricing and outsourced manufacturing efficiencies. Cost of goods includes stock-based compensation expense of nil in 2003 versus \$520 in 2002.

The gross margin of \$711,596 or 42% of net sales for the second quarter of 2003 represented an increase from a negative gross margin of 173,639 or (63)% of net sales for the second quarter of 2002 due to the initiation, during the second quarter of 2002, of our refocused sales strategy, which increased revenues, and due to our cost cutting measures since the second quarter of 2002.

Research and development expenses in the second quarter of 2003 decreased by 83%, or \$487,138, to \$96,997 from \$584,135 in the second quarter of 2002. This decrease was primarily due to decreased research and development activities and related expenditures as a result of a fewer number of engineering personnel on staff during the second quarter of 2003 versus the second quarter of 2002, and due to a number of the 2002 research and development initiatives progressing to the production stage in the first quarter of 2003. Research and development expenses include stock-based compensation expense of \$3,251 in 2003 versus \$8,905 in 2002.

Sales and marketing expenses in the second quarter of 2003 decreased by 73%, or \$190,492, to \$68,884 from \$259,376 in the second quarter of 2002. The decrease was a net effect of decreased advertising, promotional activities, tradeshow and

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travel expenses to visit new customers and distributors. In fiscal 2003, we anticipate increasing our sales and marketing expenses as we focus our marketing and sales personnel on the goal of securing additional short and long-term supply agreements in order to execute our business plan. Sales and marketing expenses include stock-based compensation (recovery) expense of \$2,235 in 2003 versus \$(397) in 2002.

Depreciation and amortization in the second quarter of 2003 decreased by 42%, or \$9,691, to \$13,253 from \$22,944 in 2002. The decrease was attributable to the return of a number of leased equipment resulting in a lower asset balance to be depreciated.

Exchange loss in the second quarter of 2003 increased by \$18,134, to an exchange

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loss of \$31,509 from an exchange loss of \$13,375 in the second quarter of 2002 due to fluctuations in the currency exchange rate between the U.S. and Canada. Our company's revenues are received in U.S. dollars, while the majority of expenses are incurred in Canadian dollars.

Interest expense in the second quarter of 2003 increased by \$104,760, to \$108,296 from \$3,536 in 2002. The increase was the result of interest relating to the outstanding loans payable and convertible debenture.

General and administrative expenses in the second quarter of 2003 decreased by 27%, or \$105,415, to \$286,460 from \$391,875 in 2002. The reduction was a result of a decrease in the number of employees, better control of overhead expenses and reduced professional service fees due to fewer public company filings and associated expenses in comparison to the second quarter of 2002. We expect general and administrative expenses to decrease further in fiscal 2003 as a result of further cost control measures that we have implemented. General and administrative expenses include stock-based compensation expense of \$6,060 in 2003 versus \$30,002 for 2002.

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SIX MONTHS ENDED JUNE 30, 2003 AND JUNE 30, 2002

Sales

Net sales in the first half of 2003 increased by 17% or \$291,638, to \$2,047,888 from \$1,756,250 in the first half of 2002. The increase was due largely to the refocused sales strategy, initiated during the second quarter of 2002, which transitioned our focus from one of short-term relationships resulting in immediate sales, but no commitment for additional purchases, to a focus on building long-term relationships with customers who would commit to purchase a specified percentage of their amplifier requirement from us over a term of three or more years. This strategy has resulted in several new long term customers throughout several regions. Other factors contributing to the lower sales in the first half of 2002 was the general worldwide softening and changing of the market conditions in the wireless sectors during the first half of fiscal 2002, increased competition in the Korean market, and one of our significant customers in the United States went bankrupt in the second quarter of 2002. In general, we anticipate that revenues will increase in the remaining quarters in 2003 as we make progress with our refocused sales strategy.

Cost of Goods Sold and Operating Expenses

Cost of goods sold during the first half of 2003 decreased by 9%, or \$134,221, to \$1,370,744 from \$1,504,965 in the first half of 2002. The decrease was primarily a factor of reduced material costs, wages and benefits, sub-contract labour and testing equipment due to completing a refinancing and reduction of some of our test equipment, reducing and creating more efficiency in our staffing requirements and we started working with an outsource manufacturing

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company. As well, we have started producing larger runs for customers. These factors allow us to take advantage of better purchasing power and ensure that a consistent quality product is delivered on time. We anticipate that our cost of goods sold, as a percentage of sales, will be reduced during the remainder of 2003 as a result of further increased sales, better pricing and outsourced manufacturing efficiencies. Cost of goods includes stock-based compensation (recovery) expense of nil in 2003 versus \$(19,221) in 2002.

The gross margin of \$677,144 or 33% of net sales for the half of 2003 represented a increase from a gross margin of 251,285 or 14% of net sales for the first half of 2002 due to the initiation, during the second quarter of 2002, of our refocused sales strategy which increased revenues and due to our cost cutting measures since the second quarter of 2002.

Research and development expenses in the first half of 2003 decreased by 65%, or \$559,707, to \$296,921 from \$856,628 in the first half of 2002. This decrease was primarily due to decreased research and development activities and related expenditures as a result of a fewer number of engineering personnel on staff during the first half of 2003 versus the first half of 2002, and due to a number of the 2002 research and development initiatives progressing to the production stage in the first quarter of 2003. Research and development expenses include stock-based compensation (recovery) expense of \$(13,986) in 2003 versus \$(56,433) in 2002.

Sales and marketing expenses in the first half of 2003 decreased by 60%, or \$237,859, to 160,303 from \$398,162 in the first half of 2002. The decrease was a net effect of decreased advertising, promotional activities, tradeshow and travel expenses to visit new customers and distributors. In fiscal 2003, we anticipate increasing our sales and marketing expenses as we focus our marketing and sales personnel on the goal of securing additional short and long-term supply agreements in order to execute our business plan. Sales and marketing expenses include stock-based compensation (recovery) expense of \$(17,571) in 2003 versus \$(61,123) in 2002.

Depreciation and amortization in the first half of 2003 decreased by 32%, or \$14,980, to \$31,392 from \$46,372 in 2002. The decrease was attributable to the return of a number of leased equipment resulting in a lower asset balance to be depreciated.

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Exchange loss in the first half of 2003 decreased by \$1,549, to an exchange loss of \$20,578 from an exchange loss of \$22,127 in the first half of 2002 due to fluctuations in the currency exchange rate between the U.S. and Canada. Our company's revenues are received in U.S. dollars, while the majority of expenses are incurred in Canadian dollars.

Interest expense in the first half of 2003 increased by \$147,408, to \$152,377 from \$4,969 in 2002. The increase was the result of interest relating to the outstanding loans payable and convertible debenture.

General and administrative expenses in the first half of 2003 decreased by 33%, or \$212,846, to \$438,159 from \$651,005 in 2002. The reduction was a result of a decrease in the number of employees, better control of overhead expenses and reduced professional service fees due to fewer public company filings and

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associated expenses in comparison to the first half of 2002. We expect general and administrative expenses to decrease further in fiscal 2003 as a result of further cost control measures that we have implemented. General and administrative expenses include stock-based compensation (recovery) expense of \$(22,980) in 2003 versus \$(84,737) in 2002.

Other Income and Expenses

Other income in the first half of 2003 decreased by 53%, or \$39,567, to \$35,360 from \$74,927 in the first half of 2002. This 2002 balance results primarily from a \$74,451 settlement of a government debt while the 2003 balance is due to a settlement with the leasing company that the Corporation had returned certain leased equipment.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have been dependent on investment capital as our primary source of liquidity. We had an accumulated deficit at June 30, 2003 of \$15,710,914. During the six months ended June 30, 2003, we focused entirely on the wireless amplifier product segment and incurred a net loss, after stock-based compensation recovery, of \$215,784 (2002 -loss of \$1,585,032).

During the first half of 2003, our cash position decreased significantly. The primary use of cash was for our continued operations which also included non-cash charges in depreciation expense, and stock-based compensation recovery. Other significant non-cash working capital changes included a decrease in accounts receivable and an increase in inventory. We currently have good on-going communications with our suppliers and are in various stages of discussion with them regarding extended payment terms for their respective outstanding June 30, 2003 accounts payable balances.

During the first half of 2003, we had no investing activities

During the first half of 2003, we issued 1,897,447 shares for settlement of \$212,513 of accounts payable. 258,064 common shares were also issued upon exercise of warrants for cash proceeds of \$12,903. In June and July 2003, the Company issued non-registered warrants with an expiry date of July 15, 2005, to purchase 5,936,783 shares, at US\$0.10 per share, to holders of Secured Convertible Notes who exercised previous warrants to purchase the same number of shares at an exercise price that was reduced to US\$.05 per share from CDN\$0.15 per share. Of the non-registered warrants, 258,064 were issued in June 2003 and the balance was issued in July 2003. We also extended the expiry date of 2,317,857 warrants, which were issued on May 15, 2002, with an exercise price of \$0.35, from an expiry date of May 14, 2003 to May 14, 2004. During the period, the Board of the Corporation agreed to amend the conversion price of all convertible debentures from CDN\$0.15 to US \$0.06.

Other than operating loan commitments and a commitment under existing leases for an aggregate of \$616,000 through 2009, we have no material commitments, including capital commitments, outstanding at June 30, 2003.

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Our capital requirements are difficult to plan in light of our current strategy to expand our customer base and to develop new products and technologies. Since our inception, we have been dependent on investment capital as our primary source of liquidity. Our operations to date have been primarily financed by sales of our equity securities. As of June 30, 2003, we had a working capital deficiency of \$337,839. Our operations presently are generating negative cash flow, and we do not expect positive cash flow from operations in the near term. We need to secure additional working capital in the short-term in order to sustain our operations and execute our business plan. It is our intention to raise funds necessary to carry our company through to positive cash flow and profitability.

We anticipate that we will require a greater amount of additional working capital for inventory, components and work in process or to expand our manufacturing capacity if we enter into contracts for large quantities of our amplifiers. We are incurring expenses in anticipation of future sales that may not materialize. If future sales fall significantly below our expectations or if we incur unanticipated costs or expenses, our financing needs could be increased. Any inability to obtain sufficient capital to sustain our existing operations, to meet commitments or to fund our obligations under our existing sales orders may require us to delay delivery of products, to default on one or more agreements or to significantly reduce or eliminate sales and marketing, research and development or administrative functions. The occurrence of any of these, or other adverse affects of inability to raise adequate capital may have a material adverse effect on our business, financial condition and results of operations.

INFLATION

We do not believe that inflation has had a significant impact on our consolidated results of operations or financial condition.

FUTURE OPERATIONS

Presently, our revenues are not sufficient to meet operating and capital expenses. We have incurred operating losses since inception, and this is likely to continue into for fiscal 2003. As at December 31, 2002, we had a working capital deficiency of \$394,917. In November and December, 2002, we effected a debt private placement of \$605,435 (CDN\$956,323). This financing and the cash flows which we receive from our ongoing sales will enable us to address a portion of our aged payables, continue with the support of existing clients and sales and marketing activity until September, 2003.

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the annual consolidated financial statements for the year ended December 31, 2002, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our consolidated financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our current products and any new product offerings that we may introduce, the continuing successful development

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of our products and related technologies, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

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There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due.

RISK FACTORS

For information on risk factors refer to Unity Wireless Corporation's annual report on Form 10-KSB for the year ended December 31, 2002.

ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, within the 90 days prior to the filing date of this report, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer. Based upon that evaluation, our company's president and chief executive officer concluded that our company's disclosure controls and procedures are effective. There have been no significant changes in our company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president and chief executive officer as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than as set forth below, we know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any

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of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

We, along with Sonic Systems Corporation and M&M Realty Incorporated, have been sued in the Supreme Court of British Columbia, Canada, by Integrated Global Financial Corporation. The lawsuit was commenced on January 5, 2001. Integrated Global alleges it has options to purchase 500,000 shares, with no expiry date, at an alleged exercise price of \$1.00 per share, plus unspecified damages. We dispute the allegations and are defending the claim. No trial date has been set. No Examinations for Discovery have been conducted or have been scheduled. The matter is at a very preliminary stage. It is our view that the claim has little, if any, merit and we do not expect the proceeding to have any material adverse effect on us. It is our position that these options have expired and we have not included such options in our outstanding options at June 30, 2003.

ITEM 2. CHANGES IN SECURITIES

During the period, the Corporation issued 1,897,447 common shares in settlement of \$212,513 of accounts payable for services rendered. 258,064 common shares were also issued upon exercise of warrants.

In June and July 2003, the Company issued non-registered warrants to purchase 5,936,783 shares, at US\$0.10 per share, to holders of Secured Convertible Notes who exercised previous warrants to purchase the same number of shares at an exercise price that was reduced to US\$0.05 per share from CDN\$0.15 per share. Of the non-registered warrants, 258,064 were issued in June 2003 and the balance was issued in July 2003.

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We also extended the expiry date of 2,317,857 warrants, which were issued on May 15, 2002, with an exercise price of \$0.35, from an expiry date of May 14, 2003 to May 14, 2004. During the period, the Board of the Corporation agreed to amend the conversion price of all convertible debentures from CDN\$0.15 to \$0.06.

These newly issued securities were issued in private placements in reliance on Section 4(ii) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Required by Item 601 of Regulation S-B

| Exhibit Number | Description |
|-------------------|---|
| 3.1* | Amended and Restated Certificate of Incorporation of Unity Wireless Corporation |
| 3.2* | Amended and Restated Bylaws of Unity Wireless Corporation (1) |
| 3.3* | First Amendment to Amended and Restated Bylaws of Unity Wireless Corporation (2) |
| 3.4* | Second Amendment to Amended and Restated Bylaws of Unity Wireless Corporation (3) |
| 4.1* | Consulting agreement among Mueller & company, Inc., Ideas, Inc., Mark Mueller, Aaron Fertig and Unity Wireless Corporation dated January 1, 2001 (3) |
| 4.2* | Consulting agreement amendment among Mueller & company, Inc. and Unity Wireless Corporation dated November 15, 2001 (3) |
| 10.1* | Asset Purchase Agreement dated October 6, 2000 among Unity Wireless Systems Corporation, a British Columbia corporation, 568608 B.C. Ltd., a British Columbia, Canada corporation, Traffic Systems, L.L.C., an Arizona limited liability company, Traffic Safety Products, Inc., an Arizona corporation and James L. Hill (4) |
| 10.2* | Intellectual Property License Agreement, dated October 6, 2000, between Unity Systems Corporation, as licensor, and Traffic Systems, LLC, as licensee (4) |
| 10.3* | Share Purchase Agreement, dated November 16, 2000 among John Robertson, Mirza Kassam, Chris Neumann, Robert Fetherstonhaugh, Unity Wireless Corporation, Stirling Mercantile Corporation, Peter A. Scott Consulting Ltd., W. Hugh Notman (5) |
| 10.4* | Asset Purchase Agreement, dated for reference December 30, 2000, among Unity Wireless Integration Corporation as vendor, Lyma Sales & Management Corp. as purchaser and Unity Wireless Corporation (6) |
| 10.5* | Agreement to Redeem Membership Interest, Transfer Intellectual Property and Amend Asset Purchase Agreement, effective April 9, 2001, by and among Traffic Systems, L.L.C., Unity Wireless Systems Corporation, Traffic Safety Products, Inc. and Jim Hill (7) |

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10.6* 1999 Stock Option Plan, as amended (3)

10.7* Recommended Stock Option Grant Policy for our company (3)

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10.8* Form of Private Placement Purchase Agreement, dated November 20, 2002, among Unity Wireless Corporation, Unity Wireless Systems Corporation, and each person or entity listed in 10.11 below. (8)

10.9* General Security Agreement, dated for reference November 20, 2002, between each of the Investors listed in Schedule 1 to the Agreement, Unity Wireless Systems Corporation and Jeffrey Rubin, as Agent. (8)

10.10* General Security Agreement, dated for reference, November 20, 2002, between each of the Investors listed in Schedule 1 to the Agreement, Unity Wireless Corporation and Jeffrey Rubin, as Agent. (8)

10.11* Form of Secured Convertible Note issued by Unity Wireless Corporation and Unity Wireless Systems Corporation in the aggregate principle amount of \$956,322.50.

10.12* Licence Agreement, dated April 23, 2002, between Unity Wireless Corporation and Paragon Communications. (8)

10.13* Agreement, dated July 19, 2002, between Unity Wireless Corporation and Dekolink Wireless Ltd. (8)

10.14* Manufacturing Agreement, dated July 10, 2002, between Unity Wireless Systems Corporation and Netro Corporation. (8)

10.15* Strategic Supply Agreement, dated June 19, 2002, between Unity Wireless Systems Corporation and Avtec, AB. (8)

10.16* Investor Relations Agreement, dated April 10, 2002, between Unity Wireless Corporation and Osprey Partners. (8)

10.17* Amendment to Investor Relations Agreement, dated September 20, 2002, between Unity Wireless Corporation and Osprey Partners. (8)

10.18* Form of Addendum to Secured Convertible Note between Unity Wireless Corporation, Unity Wireless Systems Corporation and each of the following: (9)

S. Heiman
Casey J. O'Byrne Professional Corporation
Moshe Rosner

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Jeffrey Rubin
William N. Weidman
Chancellor Apartments LLC
Gabrielle Chaput
Desmonde Farruga
Shalom Torah Centers
Sid M. Tarrabain Professional Corporation
Mokhlis Y. Zaki

10.19**Form of warrants issued in June and July 2003 to holders of Secured Convertible Notes for an aggregate of 5,936,783 shares.

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21.1 Subsidiaries of our company:

Unity Wireless Systems Corporation (British Columbia)
321373 B.C. Ltd. (British Columbia)

Subsidiaries of our company:

Unity Wireless Systems Corporation (British Columbia)
321373 B.C. Ltd. (British Columbia)

31.1** Certification of Ilan Kenig pursuant to Rule 13q-14(a) of the Securities Exchange Act of 1934

32.2** Certification required by Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

* Previously filed

** Filed herewith

(1) Incorporated by reference to our Form SB-2 filed with the Securities and Exchange Commission on October 4, 2000.

(2) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on August 30, 2002.

(3) Incorporated by reference to our Form 10-KSB filed with the Securities and Exchange Commission on April 2, 2001.

(4) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on October 23, 2000.

(5) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on December 4, 2000.

(6) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on January 16, 2001.

(7) Incorporated by references to our Form SB-2A filed with the Securities and Exchange Commission on May 3, 2001.

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(8) Incorporated by reference to our Form 10-KSB filed with the Securities and Exchange Commission on April 3, 2003.

(9) Incorporated by reference to our SB-2 filed with the Securities and Exchange Commission on May 2, 2003

(b) Reports on form 8-K

We did not file any reports on Form 8-K during the period ended June 30, 2003.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITY WIRELESS CORPORATION

/s/ Ilan Kenig

By: Ilan Kenig, President, Chief Executive Officer
(Principal Executive Officer, Principal Financial Officer
and Principal Accounting Officer)
August 14, 2003