

UNITY WIRELESS CORP  
Form 10QSB  
November 14, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-QSB**

(Mark One)

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

For the quarterly period ended September 30, 2005

[ ]

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**

(State or other jurisdiction of incorporation or organization)

**91-1940650**

(I.R.S. Employer Identification  
Number)

**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)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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:

90,145,263 common shares outstanding as of October 25, 2005

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

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Consolidated Financial Statements

(Expressed in United States dollars)

**UNITY WIRELESS CORPORATION**

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

Three and nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004



**UNITY WIRELESS CORPORATION**

## Consolidated Balance Sheets

(Expressed in United States dollars)

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

	September 30, 2005 (unaudited)	December 31, 2004
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 147,183	\$ 209,546
Accounts receivable (less allowance for doubtful accounts of \$nil (December 31, 2004 - \$nil))	1,782,932	794,467
Inventory (note 3)	1,227,401	833,390
Prepaid expenses and deposits	63,585	50,618
	3,221,101	1,888,021
Equipment, net	1,159,503	547,698
Patents	-	1,418
Goodwill	741,596	741,596
	\$ 5,122,200	\$ 3,178,733
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 4)	\$ 2,542,800	\$ 1,505,012
Obligations under capital leases (note 5)	313,063	97,208
Loans payable (note 6)	-	47,583
Convertible debenture (note 7)	694,940	85,600
Product warranty (note 11(b))	42,710	40,667
	3,593,513	1,776,070
Obligations under capital lease (note 5)	484,193	215,338
Convertible debenture (note 7)	148,093	576,504
	4,225,799	2,567,912

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Stockholders' equity:

Common stock, \$0.001 par value 150,000,000 authorized, 90,145,263 (2004 80,213,945) issued and outstanding	90,145	80,214
Additional paid-in capital	26,258,275	22,315,576
Accumulated deficit	(25,383,195)	(21,822,078)
Accumulated other comprehensive income:		
Cumulative translation adjustments	(68,824)	37,109
	896,401	610,821
	\$ 5,122,200	\$ 3,178,733

Commitments (note 10)

Contingent liabilities (note 11)

See accompanying notes to consolidated financial statements.



**UNITY WIRELESS CORPORATION**

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States dollars)

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

	Three months ended		Nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Net sales	\$ 949,700	1,027,160	\$ 4,634,158	\$ 3,850,740
Cost of goods sold (3 month data includes stock-based compensation expense of \$6,165 in 2005 and \$5,608 in 2004; 9 month data includes stock-based compensation expense of \$18,153 in 2005 and \$14,728 in 2004; and excludes depreciation and amortization shown separately below)	747,835	803,570	3,594,544	3,130,886
	201,865	223,590	1,039,614	719,854
Expenses:				
Research and development (3 month data includes stock-based compensation expense of \$9,001 in 2005 and \$8,043 in 2004; 9 month data includes stock-based compensation expense of \$46,285 in 2005 and \$29,616 in 2004)	393,744	243,524	1,642,193	891,629
Royalty payments for government grant (note 11(a))	14,245	15,407	69,512	57,761
Sales and marketing (3 month data includes stock-based compensation expense (recovery) of \$9,091 in 2005 and \$(8,638) in 2004; 9 month data includes stock-based compensation expense (recovery) of (\$30,368) in 2005 and \$38,808 in 2004)	134,573	96,207	396,847	373,471
Depreciation and amortization	79,546	15,812	173,458	42,374
Exchange (gain) loss	(6,909)	69,628	35,129	68,279
Interest expense, excluding accretion of				
interest and loss on debt settlement	72,838	26,843	203,877	41,366
General and administrative (3 month data	415,389	341,651	1,368,517	1,227,921

includes stock-based compensation expense of \$113,393 in 2005 and \$124,192 in 2004; 9 month data includes stock-based compensation expense of \$506,705 in 2005 and \$523,321 in 2004

	1,103,426	809,072	3,889,533	2,702,801
Operating loss for the period	(901,561)	(585,482)	(2,849,919)	(1,982,947)
Accretion of interest and loss on debt settlement	(115,977)	(20,082)	(711,198)	(57,475)
Other income	-	117	-	14,250
Loss for the period	(1,017,538)	(605,447)	(3,561,117)	(2,026,172)
Deficit, beginning of period	(24,365,657)	(19,923,805)	(21,822,078)	(18,503,080)
Deficit, end of period	\$(25,383,195)	\$(20,529,252)	\$(25,383,195)	\$(20,529,252)
Basic and diluted loss per common share (note 8(b))	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.03)

See accompanying notes to consolidated financial statements.

**UNITY WIRELESS CORPORATION**

## Consolidated Statements of Cash Flows

(Expressed in United States dollars)

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

	Three months ended		Nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
<b>Operations:</b>				
Loss for the period	\$(1,017,538)	\$ (605,447)	\$ (3,561,117)	\$ (2,026,172)
Adjustments to reconcile net loss to net cash used in operating activities:				
Accretion of interest and loss on debt settlement	115,977	20,082	711,198	57,475
Depreciation and amortization	79,546	15,812	173,458	42,374
Stock-based compensation	137,650	129,205	540,775	606,473
Changes in non-cash working capital relating to operations:				
Accounts receivable	523,667	246,039	(907,181)	(866,736)
Inventory	(107,995)	(152,074)	(336,791)	(597,682)
Prepaid expenses	10,748	(9,134)	(9,970)	(5,379)
Accounts payable and accrued liabilities	7,164	(87,332)	1,153,485	729,074
	(250,781)	(442,849)	(2,236,143)	(2,060,573)
<b>Investments:</b>				
Acquisition of equipment	(35,118)	-	(122,897)	(77,748)
Disposition of equipment	-	845	-	-
Restricted cash	-	740	-	94,119
	(35,118)	1,585	(122,897)	16,371
<b>Financing:</b>				
Bank indebtedness	-	(875)	-	(111,271)
Loans payable	-	(29,093)	-	121,309
Capital lease obligation	(91,603)	-	(176,236)	-
Convertible debentures (note 7)	-	1,250,000	2,000,000	1,250,000

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Cash proceeds on issuance of common shares	482,921	30,800	884,621	1,658,692
Share issue costs	-	(165,483)	(236,298)	(237,518)
	391,318	1,085,349	2,472,087	2,681,212
Effect of foreign exchange rate changes on cash and cash equivalents	(61,477)	42,176	(175,410)	35,200
Increase (decrease) in cash and cash equivalents	43,942	686,261	(62,363)	672,210
Cash and cash equivalents, beginning of period	103,241	44,006	209,546	58,057
Cash and cash equivalents, end of period	\$ 147,183	\$ 730,267	\$ 147,183	\$ 730,267

Supplementary information (note 12)

See accompanying notes to consolidated financial statements.

**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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**1.**

**Basis of presentation:**

The accompanying interim unaudited consolidated financial statements as at September 30, 2005 and for the three and nine month periods ended September 30, 2005 and 2004 have been prepared in accordance with United States 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 nine month periods ending September 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005 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, 2004. Except as indicated in note 2(a), 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 September 30, 2005, the Corporation requires 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.

**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, 2004, except as disclosed in note 2(a).

**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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**2.**

**Significant accounting policies (continued):**

(a)

Foreign currency translation:

As of April 1, 2005, the Corporation adopted the U.S. dollar as its functional currency. The Corporation has done this because the U.S. dollar is the currency in which it incurs all of its revenues, all of its financing and a significant portion of its costs. The Corporation's subsidiary, Unity Wireless Systems Corp., also uses the U.S. dollar as its functional currency. Under this method, monetary assets and liabilities denominated in a foreign currency are remeasured into U.S. dollars at the rate of exchange in effect at the balance sheet date. Other assets and revenue and expense items are remeasured using the rate of exchange prevailing at their respective transaction dates. Exchange gains and losses resulting from the remeasurement of foreign denominated monetary assets and liabilities into U.S. dollars are reflected in earnings (loss) for the period.

(b)

Recent accounting pronouncements:

In December 2004, the Financial Accounting Standards Board ( FASB ) issued revised Statement of Financial Accounting Standards No. 123R entitled Share-Based Payment ( FAS No. 123R ). This revised statement addresses accounting for stock-based compensation and results in the fair value of all stock-based compensation arrangements, including options, being recognized as an expense in a company's financial statements as opposed to supplemental disclosure in the notes to financial statements. The revised Statement eliminates the ability to account for stock-based compensation transactions using APB Opinion No. 25. FAS No. 123R is effective for the Company as of the beginning of its annual reporting period that begins January 1, 2006. Although the Corporation does not expect the adoption of FAS No. 123R to have a material effect on its consolidated financial statements as the Corporation presently expenses stock-based compensation to employees by the fair value method, it has not completed its analysis of the implications of this standard.

(c)

Comparative figures:

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

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**3.****Inventory:**

	September 30, 2005 (Unaudited)	December 31, 2004
Raw materials	\$ 1,089,661	\$ 828,162
Finished goods	137,740	5,228
	\$ 1,227,401	\$ 833,390

**4.****Accounts payable and accrued liabilities:**

	September 30, 2005 (Unaudited)	December 31, 2004
Trade accounts payable	\$ 2,040,827	\$ 1,167,551
Accrued liabilities	501,973	337,461
	\$ 2,542,800	\$ 1,505,012

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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 September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**5.**

**Obligations under capital leases:**

The Corporation leases R&D and Production equipment under capital leases expiring at various dates to 2008. As at September 30, 2005, future minimum lease payments under capital leases are as follows:

2005	\$	94,075
2006		376,301
2007		365,984
2008		60,147
		896,507
Amount representing interest		99,251
		797,256
Current portion		313,063
	\$	484,193

Interest rates on the capital leases average approximately 9.58%. Interest expense for the nine months period ended September 30, 2005 is \$48,021.

**6.**

**Loans payable:**

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September 30,  
2005  
(Unaudited)

December 31, 2004

Promissory notes	\$	-	\$	47,583
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The promissory note was repaid as at September 30, 2005.

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

7.

**Convertible debentures:**

(a)

During February 2005, the Corporation received gross cash proceeds of \$1,500,000 from the issuance of 8% redeemable convertible debentures of the Corporation plus 4,500,000 share purchase warrants on the completion of a private placement effected pursuant to Regulation D under the Securities Act of 1933. The agreement was signed on February 11, 2005 and the debentures mature on February 11, 2007. The debentures are convertible at the option of the holder at any time or automatically convert into common stock, subject to volume limitations, if the closing price of the common stock during a designated period is not less than \$0.30. The conversion price of the debentures is \$0.20 per share of common stock. Interest on these debentures is payable quarterly. At the option of the Corporation, and subject to certain conditions being met, the Corporation may make quarterly interest payments in cash or in common stock of the Corporation. If the Corporation elects to settle with shares, the number of shares issuable is calculated by reference to the market price at that time.

Each warrant issued entitles the holder to purchase one of the Corporation's common shares and is exercisable at a price of \$0.20 on or before February 11, 2010, on which date the warrants will expire.

For accounting purposes, the Corporation calculated the fair value of warrants issued with the convertible debenture, using the Black-Scholes option pricing model using the weighted average assumptions as disclosed in note 8(c), and the intrinsic value of the beneficial conversion feature, which totaled \$1,452,175, and initially recorded these values as additional paid-in capital. The intrinsic value of the beneficial conversion feature is the amount by which the fair value of the underlying common shares at the date of the agreement exceeded the value of shares issuable based on the carrying value of the debenture, after reducing such carrying value for the fair value of the warrants. These assigned values were recorded as a reduction to the amount initially assigned to the debentures and as additional paid-in capital. The remaining balance of \$47,825 was recorded as a long-term liability. The carrying value of the liability is being accreted to the redemption value of the debentures over the period from February 11, 2005 to the initial maturity date of February 11, 2007.

During the nine month period ended September 30, 2005, accretion of \$226,934 has been recorded as a charge to the statement of operations, and an increase in the carrying value of the liability. Also during the period, \$150,000 of these debentures converted into 750,000 common shares in accordance with their original terms.

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

7.

**Convertible debentures (continued):**

(b)

During March 2005, the Corporation received gross cash proceeds of \$500,000 from the issuance of 8% redeemable convertible debentures of the Corporation plus 1,500,000 share purchase warrants on the completion of a private placement effected pursuant to Regulation D under the Securities Act of 1933. The agreement was signed on March 24, 2005 and the debentures mature on March 24, 2007. The debentures are convertible at the option of the holder at any time or automatically convert into common stock, subject to volume limitations, if the closing price of the common stock during a designated period is not less than \$0.30. The conversion price of the debentures is \$0.20 per share of common stock. Interest on these debentures is payable quarterly. At the option of the Corporation, and subject to certain conditions being met, the Corporation may make quarterly interest payments in cash or in common stock of the Corporation. If the Corporation elects to settle with shares, the number of shares issuable is calculated by reference to the market price at that time.

Each warrant issued entitles the holder to purchase one of the Corporation's common shares and is exercisable at a price of \$0.20 on or before March 24, 2010, on which date the warrants will expire.

For accounting purposes, the Corporation calculated the fair value of warrants issued with the convertible debenture, using the Black-Scholes option pricing model using the weighted average assumptions as disclosed in note 8(c), and the intrinsic value of the beneficial conversion feature, which totaled \$484,058, and initially recorded these values as additional paid-in capital. The intrinsic value of the beneficial conversion feature is the amount by which the fair value of the underlying common shares at the date of the agreement exceeded the value of shares issuable based on the carrying value of the debenture, after reducing such carrying value for the fair value of the warrants. These assigned values were recorded as a reduction to the amount initially assigned to the debentures and as additional paid-in capital. The remaining balance of \$15,942 was recorded as a long-term liability. The carrying value of the liability is being accreted to the redemption value of the debentures over the period from March 24, 2005 to the initial maturity date of March 24, 2007.

During the nine month period ended September 30, 2005, accretion of \$210,428 has been recorded as a charge to the statement of operations, and an increase in the carrying value of the liability. Also during the period, \$203,036 of these debentures converted into 1,015,180 common shares in accordance with their original terms.

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

7.

**Convertible debentures (continued):**

(c)

During August 2004, the Corporation received gross cash proceeds of \$1,250,000 from the issuance of 8% redeemable convertible debentures of the Corporation plus 3,750,000 share purchase warrants on the completion of a private placement effected pursuant to Regulation D under the Securities Act of 1933. The agreement was signed on August 31, 2004 and the debentures mature on August 31, 2006. The debentures are convertible at the option of the holder at any time or automatically convert into common stock, subject to volume limitations, if the closing price of the common stock during a designated period is not less than \$0.30. The conversion price of the debentures is \$0.20 per share of common stock. Interest on these debentures is payable quarterly. At the option of the Corporation, and subject to certain conditions being met, the Corporation may make quarterly interest payments in cash or in common stock of the Corporation. If the Corporation elects to settle with shares, the number of shares issuable is calculated by reference to the market price at that time.

Each warrant issued entitles the holder to purchase one of the Corporation's common shares and is exercisable at a price of \$0.20 on or before August 31, 2009, on which date the warrants will expire.

For accounting purposes, the Corporation calculated the fair value of warrants issued with the convertible debenture, using the Black-Scholes option pricing model and the intrinsic value of the beneficial conversion feature, which totaled \$705,266, and initially recorded these values as additional paid-in capital. The intrinsic value of the beneficial conversion feature is the amount by which the fair value of the underlying common shares at the date of the agreement exceeded the value of shares issuable based on the carrying value of the debenture, after reducing such carrying value for the fair value of the warrants. These assigned values were recorded as a reduction to the amount initially assigned to the debentures and as additional paid-in capital. The remaining balance of \$544,734 was recorded as a long-term liability. The carrying value of the liability is being accreted to the redemption value of the debentures over the period from August 31, 2004 to the initial maturity date of August 31, 2006.

During the nine month period ended September 30, 2005, accretion of \$273,836 has been recorded as a charge to the statement of operations, and an increase in the carrying value of the liability. Also during the period, \$200,000 of these debentures converted into 1,000,000 common shares in accordance with their original terms.

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**8.****Common stock:**

(a)

Issued and outstanding

During the nine month period ended September 30, 2005, the Corporation issued 1,079,230 common shares in settlement of \$233,263 of accounts payable, 5,295,800 common shares upon exercise of warrants for cash proceeds of \$786,017, 563,331 common shares upon exercise of options for cash proceeds of \$98,604, and 2,992,957 common shares upon conversion of convertible debentures of \$594,036.

(b)

Loss per share:

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

	Three months ended		Nine months ended	
	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)
Numerator:				
Loss for the period	\$ (1,017,538)	\$ (605,447)	\$ (3,561,117)	\$ (2,026,172)
Denominator:				
Weighted average number of common shares outstanding	88,141,763	76,927,953	83,086,408	73,779,560

Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.03)
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For the three and nine month periods ended September 30, 2005 and 2004, 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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**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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**8.****Common stock (continued):**

(c)

Stock option plan:

The Corporation grants options to employees and non-employees. For employee and non-employee options, compensation expense is recognized using the fair value-based method of accounting per SFAS No. 123. The fair value of employee and non-employee grants in 2005 and 2004 was calculated using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividend yield; volatility of 154% (2004 175%) based on weekly stock price; risk-free interest rate of 3.25% (2004 3.25%) and expected lives between 1 to 5 years.

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

	Shares available to be granted under option plan	Outstanding options	
		Number of common shares issuable	Weighted average exercise price
Balance, December 31, 2004	9,290,289	6,752,500	\$ 0.26
Options granted	(2,355,000)	2,355,000	0.26
Options expired	1,221,252	(1,221,252)	0.32
Options exercised	-	(563,331)	0.18
Increase in reserved for issuance	2,549,595	-	-
Balance, September 30, 2005	10,706,136	7,322,917	\$ 0.25

(d)

Warrants:

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The following non-transferable share purchase warrants were outstanding at September 30, 2005:

Expiry date	Exercise price per share	Number of shares
December 31, 2005	\$0.30	308,053
March 31, 2006	\$0.50	2,059,492
August 31, 2006	\$0.23	555,555
October 13, 2006	\$0.20	125,000
May 1, 2007	\$0.32	120,000
September 30, 2007	\$0.50	525,700
September 30, 2007	\$0.25	1,553,433
October 1, 2007	\$0.20	100,000
October 1, 2008	\$0.25	150,000
August 31, 2009	\$0.20	1,750,000
October 13, 2009	\$0.20	150,000
February 11, 2010	\$0.20	4,500,000
March 24, 2010	\$0.20	625,000
July 01, 2010	\$0.40	75,000
July 01, 2010	\$0.50	75,000

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**9.**

**Segmented information:**

(a)

Segment information:

During the three and nine month periods ended September 30, 2005 and 2004, 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		Nine months ended	
	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)
China	89	437	2,344	2,270
United States	848	493	1,736	1,388
Israel	13	37	67	73
Canada	-	60	487	120
Total Sales	950	1,027	4,634	3,851

(c)

Major customers:

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

	Nine months ended	
	September 30, 2005 (unaudited)	September 30, 2004 (unaudited)
Customer A	\$ 1,504	\$ 2,270
Customer B	1,583	-
Customer C	486	799

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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 nine months ended September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**10.**

**Commitments:**

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

2005	\$	26,000
2006		105,000
2007		105,000
2008		105,000
2009		53,000
	\$	394,000

**11.**

**Contingent liabilities:**

(a)

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 at rates between 5% to 6% 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. No such sales have occurred to September 30, 2005.

(ii)

Under an agreement with the Government's National Research Council Canada IRAP ( IRAP ) program, the Corporation received conditionally repayable government assistance amounting to \$368,275 (CDN\$483,491) to support the development of a multi-carrier linear power amplifier. Under the terms of the agreement, an amount up to a maximum of \$534,000 (CDN\$725,236) is to be repaid at a rate of 1.5% of quarterly gross revenue commencing on September 1, 2003, on a quarterly basis. For the nine months ended September 30, 2005, the Corporation recorded \$69,512 (CDN\$88,694) as royalties expense and \$57,761 (CDN \$76,786) in 2004.

(iii)

Under an agreement with the Canada Israel Industrial Research & Development Foundation, the Corporation is eligible to receive conditionally repayable government assistance amounting to \$256,744 (CDN\$350,000) to support the development of a multi-carrier linear power amplifier. To date, the Corporation claimed gross proceeds of nil in 2005 and nil in 2004. Under the terms of the agreement, commencing with the first commercial transaction, the assistance is repayable to the extent of 2.5% of yearly gross sales until 100% of the grant has been repaid. As at September 30, 2005 the Corporation has not yet commenced the commercialization of such product, and thus no repayment is required.

The Corporation recognizes royalty obligations as determinable in accordance with agreement terms.

**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 September 30, 2005 and 2004 (unaudited)

Year ended December 31, 2004

**11.****Contingent liabilities (continued):**

(b)

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, 2005	\$	40,667
Provision increase		8,985
Expenditures		(8,316)
Balance, March 31, 2005 (unaudited)	\$	41,336
Provision increase		10,188
Expenditures		(10,626)
Balance, June 30, 2005 (unaudited)	\$	40,898
Provision increase		7,815
Expenditures		(6,003)
Balance, September 30, 2005 (unaudited)	\$	42,710

## 12.

**Supplementary information:**

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash paid for:				
Interest	\$ 20,891	\$ 5,494	\$ 56,533	\$ 20,690
Non-cash financing and investing activities:				
Issuance of common shares in settlement of accounts payable	\$ 82,486	\$ 27,994	\$ 233,263	\$ 55,256
Issuance of common shares on conversion of convertible debentures	\$ -	\$ -	\$ 594,036	\$ -
Purchase of equipment funded by obligation under capital lease	\$ 346,582	\$ -	\$ 660,947	\$ -
Amendment of note payable to convertible note payable	\$ -	\$ 99,999	\$ -	\$ 99,999

## **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, 2004 filed on March 24, 2005.

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, 2004 contained in the 10-KSB filed on March 24, 2005, 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 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.

**General**

We make high power radio frequency amplifiers and related subsystems used in both mobile and fixed wireless networks. We have developed over 40 models of our products that are used in cellular, personal communication services (PCS), paging, wireless local loop (WLL) and third generation (3G) networks. Almost all of our products are custom made or adapted to satisfy each customer's particular requirements covering a range of average output power levels (from 2 watts to 80 watts) and a number of different operating frequency bands.

Most of our products are high power amplifiers and related subsystems used in base transceiver stations (BTS or base stations), to amplify signals sent from the network to a terminal such as a cell phone. We also make products used in signal repeaters and tower-top antenna systems that are used to extend and enhance wireless network coverage.

**Results of Operations**

Three months Ended September 30, 2005 and September 30, 2004

**Sales**

Net sales in the third quarter of 2005 were \$949,700, a decrease of 7.54% or \$77,460, from \$1,027,160 in the third quarter of 2004. This decrease was primarily due to fluctuations in the delivery of our production volume projects.

**Cost of Goods Sold and Operating Expenses**

Cost of goods sold during the third quarter of 2005 was \$747,835, a decrease of \$55,735, or 6.94%, from \$803,570 in the third quarter of 2004. Cost of goods sold includes stock-based compensation expense of \$6,165 in the third quarter of 2005 versus \$5,608 in the third quarter of 2004.

The gross margin of \$201,865, or 21.26% of net sales, for the third quarter of 2005 remained relatively consistent with the gross margin of \$223,590, or 21.76% of net sales, for the third quarter of 2004.

Research and development expenses in the third quarter of 2005 were \$393,744, an increase of \$150,220, or 61.69%, over \$243,524 in the third quarter of 2004. This increase was primarily due to a substantial increase in the number of research and development projects in the period relative to the third quarter of 2004. Research and development expense includes stock-based compensation expense of \$9,001 in the third quarter of 2005 versus \$8,043 in the third quarter of 2004.

Sales and marketing expenses in the third quarter of 2005 were \$134,573, an increase of \$38,366, or 39.88%, from \$96,207 in the third quarter of 2004. The increase was primarily due to additional sales initiatives that include additional sales personnel on staff, increased travel expenses to visit new customers and additional trade show exhibition expenses. Sales and marketing expenses include stock-based compensation expense of \$9,091 in the third quarter of 2005 versus the recovery of \$8,638 in the third quarter of 2004.

Exchange (gain) loss in the third quarter of 2005 decreased by \$76,537, to an exchange gain of \$6,909 from an exchange loss of \$69,628 in the third quarter of 2004 due to fluctuations in the currency exchange rate between the U.S. and Canada.

General and administrative expenses in the third quarter of 2005 were \$415,389, an increase of \$73,738, or 21.58%, from \$341,651 in the third quarter of 2004. General and administrative expenses include stock-based compensation expense of \$113,393 in the third quarter of 2005 versus \$124,192 in the third quarter of 2004.

Accretion of interest and loss on debt settlement for the third quarter of 2005 increased by \$95,895 to \$115,977 from \$20,082 for the same period in 2004. This change was due to the issuance of convertible debentures in August of 2004 and in the first half of 2005.

Loss in the third quarter of 2005 was \$1,017,538, an increase of \$412,091, or 68.06%, from a loss of \$605,447 in the third quarter of 2004. The increase was primarily a result of an increase in both research and development expenditures and sales and marketing expenditures in order to support a greater number of future product and customer opportunities as well as an increase in accretion of interest.

#### Nine months period Ended September 30, 2005 and September 30, 2004

##### Sales

Net sales in the nine month period ended of 2005 increased by 20.34% or \$783,418, to \$4,634,158 from \$3,850,740 in the nine month period ended of 2004. This increase was due to the result of the realization of projects in our customer base and a general improvement in the telecommunications industry.

##### Cost of Goods Sold and Operating Expenses

Cost of goods sold during the nine month period ended of 2005 increased by 14.81%, or \$463,658, to \$3,594,544 from \$3,130,886 in the nine months period ended of 2004. This increase is primarily a result of increased revenues. Cost of goods sold includes stock-based compensation expense of \$18,153 in 2005 versus \$14,728 in 2004.

The gross margin of \$1,039,614, or 22.43% of net sales, for the nine months period ended of 2005 represented an increase from a gross margin of \$719,854, or 18.69% of net sales, for the nine month period ended of 2004. This is primarily a result of lower per unit purchase costs of product components realized by the Company as a result of overall increased purchase volumes in order to meet growing customer demand. In addition, more efficient production processes have been implemented by the Company which has translated into cost reductions.

Research and development expenses in the nine month period ended of 2005 increased by 84.18%, or \$750,564, to \$1,642,193 from \$891,629 in the nine month period ended of 2004. This increase was primarily due to a substantial increase in the number of research and development projects in the period relative to the nine months period ended of 2004. The stock-based compensation expense for research and development was \$46,285 in 2005 versus \$29,616 in 2004.

Sales and marketing expenses in the nine month period ended of 2005 increased by 6.26% or \$23,376 to \$396,847 from \$373,471 in the nine month period ended of 2004. The increase was primarily due to additional sales initiatives that include additional sales personnel on staff, increased travel expenses to visit new customers and additional trade show exhibition expenses. Sales and marketing expenses include stock-based compensation recovery of \$30,368 in 2005 versus an expenses at \$38,808 in 2004.

Exchange (gain) loss in the nine months period ended of 2005 decreased by \$33,150, to an exchange loss of \$35,129 from an exchange loss of \$68,279 in the nine months period ended of 2004 due to fluctuations in the currency exchange rate between the U.S. and Canada.

Interest expense for the nine months period ended of 2005 increased by \$162,511 to \$203,877 from \$41,366 in the nine months period ended of 2004. The increase was primarily due to the increase in interest payable to note holders of the convertible debenture issued in August of 2004 and the first quarter of 2005.

General and administrative expenses in the nine month period ended of 2005 increased by 11.45%, or \$140,596, to \$1,368,517 from \$1,227,921 in 2004. General and administrative expenses include stock-based compensation expense of \$506,705 in 2005 versus \$523,321 for 2004.

Accretion of interest and loss on debt settlement for the nine months period ended of 2005 increased by \$653,723 to \$711,198 from \$57,475 for the same period in 2004. This change was due to the increase in convertible debentures issued in August of 2004 and in the first half of 2005.

Loss in the nine months period ended of 2005 increased by 75.76%, or \$1,534,945, to \$3,561,117, from \$2,026,172 in the nine months period ended of 2004. The increase was primarily a result of an increase in both research and development expenditures in order to support a greater number of future product and customer opportunities as well as an increase in accretion of interest.

### ***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 September 30, 2005 of \$(25,383,195). During the nine months ended September 30, 2005, we incurred a net loss, after stock-based compensation, of \$(3,561,117).

During the nine month period ended September 30, 2005, our cash position decreased by \$62,363. The primary use of cash was for our continued operations.

During the nine month period ended September 30, 2005, we purchased \$783,844 in equipment.

During the nine month period ended September 30, 2005, the Corporation issued 1,079,230 common shares in settlement of \$233,263 of accounts payable, 5,295,800 common shares upon exercise of warrants for cash proceeds of \$786,017, 563,331 common shares upon exercise of options for cash proceeds of \$98,604, and 2,992,957 common shares upon conversion of convertible debentures of \$594,036.

Other than leases for premises and equipment commitments for an aggregate of \$1,191,674 through 2009, we have no material commitments outstanding at September 30, 2005.





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. We do not expect positive cash flow from operations in the near term. We may not be able to obtain additional equity or debt financing on acceptable terms when we need it. We have pledged all of our assets to secure convertible notes that we issued in August 2004, February 2005 and March 2005. Our operations to date have been primarily financed by sales of our equity securities. We are restricted from declaring dividends on our common shares pursuant to Convertible Note and Warrant Purchase Agreements dated August 31, 2004, February 11, 2005 and March 24, 2005 for so long as any of these issued convertible notes are outstanding. As of September 30, 2005, we had working deficit of \$372,412. Our operations presently are generating negative cash flow, and we do not expect positive cash flow from operations in the near term. Our ability to continue as a going concern 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 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.

### *Inflation*

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

### **Item 3. Controls and Procedures**

An evaluation has been carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and the operation of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2005. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are reasonably designed and effective to ensure that (i) information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**PART II - OTHER INFORMATION**

**Items 1, 3, 4, & 5 are not applicable and have been omitted.**

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three month period ended September 30, 2005, the Corporation issued (i) a 5 year warrant to purchase 75,000 shares of common stock exercisable at \$0.40 per share and 75,000 shares of common stock exercisable at \$0.50 per share to Osprey Partners under the terms of an investor relations agreement and (ii) a 2 year warrant to purchase 120,000 shares of common stock exercisable at \$0.32 per share to RK Equity Advisors, LLC under the terms of the investor relations agreement.

During September 2005, the Corporation also issued replacement warrants to purchase 525,700 and 1,553,433 shares of common stock exercisable at \$0.50 and \$0.25 respectively for a period of two years to the certain warrant holders who exercised their warrants during this quarter.

**Item 6. Exhibits**

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

Exhibit Number

Description

31.1

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

31.2

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

32.1

Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

Pursuant to the requirements of the Exchange Act, the registrant 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)  
November 14, 2005

/s/ Dallas Pretty

By: Dallas Pretty, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)  
November 14, 2005

**Exhibit 31.1**

**CERTIFICATION**

I, Ilan Kenig, certify that:

1.

I have reviewed this quarterly report on Form 10-QSB of Unity Wireless Corporation;

2.

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2005

/s/ Ilan Kenig

Ilan Kenig  
Chief Executive Officer

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**Exhibit 31.2**

### **CERTIFICATION**

I, Dallas Pretty, certify that:

1.

I have reviewed this quarterly report on Form 10-QSB of Unity Wireless Corporation;

2.

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Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):



a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2005

/s/ Dallas Pretty

Dallas Pretty  
Chief Financial Officer

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**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT  
TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Unity Wireless Corporation (the Company) on Form 10-QSB for the quarter ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Ilan Kenig, Chief Executive Officer, and Dallas Pretty, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1.

the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ilan Kenig

By: Ilan Kenig, President, Chief Executive Officer  
November 14, 2005

/s/ Dallas Pretty

By: Dallas Pretty, Chief Financial Officer  
November 14, 2005