Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

October 31, 2014

Responsibility for interim consolidated financial statements

The accompanying unaudited condensed interim consolidated financial statements for Edgewater Wireless Systems Inc. have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These interim consolidated financial statements are presented on the accrual basis of accounting; therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditor involvement

The auditor of Edgewater Wireless Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and six month periods ended October 31, 2014 and 2013.

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements of Financial Position – Unaudited
All amounts expressed in Canadian $

	October 31, 2014	April 30, 2014
Assets		
Current		
Cash and cash equivalents (note 4)	**$ 142,611**	$236,312
Amounts receivable (note 5)	**240,223**	716,285
Inventories (note 6)	**117,323**	118,403
Prepaid expenses and deposits	**13,756**	16,887
	513,913	1,087.887
Property and equipment (note 7)	**15,546**	49,469
Intangible assets (note 8)	**1,904,729**	2,415,824
	$2,434,188	$3,553,180
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	**$1,966,628**	$ 2,213,663
Note payable (note 10)	**8,499**	22,851
	1,975,127	2,236,514
Shareholders' equity (deficiency)		
Share capital (note 13)	**25,758,139**	25,758,139
Warrants (note 13)	**413,159**	413,159
Contributed surplus (note 14)	**2,692,181**	2,675,548
Deficit	**(28,404,418)**	(27,530,180)
	459,061	1,316,666
	$2,434,188	$3,553,180

Going concern (note 1(b))
Subsequent event (note 10)

Approved on Behalf of the Board of Directors:

(Signed) "Duane Anderson", Director

(Signed) "Claude Haw", Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
All amounts expressed in Canadian $ except shares outstanding

	Three months ended October 31, 2014	Three months ended October 31, 2013	Six months ended October 31, 2014	Six months ended October 31, 2013
Revenues				
Products	**$ 13,689**	$ 3,251	**$ 23,772**	$ 53,745
Services	**-**	23,403	**-**	77,845
	13,689	26,654	**23,772**	131,590
Cost of Sales	**(12,493)**	(1,016)	**(15,989)**	(51,637)
Gross Margin	**1,196**	25,638	**7,783**	79,953
Expenses				
Sales and marketing	**74,367**	101,906	**86,968**	164,806
General and administrative	**122,936**	170,770	**241,385**	342,509
Product development (note 9)	**291,821**	290,395	**536,822**	575,837
Operations	**13,443**	10,323	**12,924**	16,472
	502,567	573,394	**878,099**	1,099,624
Finance expense:				
Interest	**1,023**	2,130	**4,185**	3,633
Finance income (note 11)	**(263)**	-	**(263)**	-
	760	2,130	**3,922**	3,633
Net loss and comprehensive loss	**$(502,131)**	$(549,886)	**$(874,238)**	$ (1,023,304)
Loss per common share				
Basic and diluted (note 15)	**$(0.004)**	$(0.005)	**$(0.008)**	$(0.010)
Weighted average number of common shares outstanding				
Basic and diluted	**113,774,144**	105,605,414	**113,774,144**	105,605,414

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Edgewater Wireless Systems Inc.
Condensed Interim Consolidated Statement of Changes in Equity – Unaudited
All amounts expressed in Canadian $

	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2013	$25,483,667	$1,808,480	$1,051,389	$(24,934,521)	$3,409,015
Share based payments	-	-	106,424	-	106,424
Warrants expired unexercised	-	(1,517,735)	1,517,735	-	-
Shares and Warrants issued	282,460	125,977	-	-	408,437
Shares and Warrants issue costs	(7,988)	(3,563)	-	-	(11,551)
Net loss and comprehensive loss	-	-	-	(2,595,659)	(2,595,659)
Balance, April 30, 2014	**$25,758,139**	**$ 413,159**	**$2,675,548**	**$(27,530,180)**	**$1,316,666**
Share-based payments	-	-	**16,633**	-	**16,633**
Net Loss and comprehensive loss for the period				**(874,238)**	**(874,238)**
Balance, October 31, 2014	**$25,758,139**	**$413,159**	**$2,692,181**	**$(28,404,418)**	**459,061**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statement of Cash Flows – Unaudited
All amounts expressed in Canadian $

	Three months ended October 31, 2014	Three months ended October 31, 2013	Six months ended October 31, 2014	Six months ended October 31, 2013
Cash flows from operating activities				
Net loss	**$(493,187)**	$(549,889)	**$(874,238)**	$(1,023,304)
Items not affecting cash:				
Share-based payments	**-**	30,031	**16,633**	58,438
Extinguishment of note payable	**-**	-	**-**	-
Amortization of intangible assets	**255,548**	255,546	**511,094**	511,189
Allowance for impairment of intangible assets (note 8)	**-**	-	**-**	**-**
Depreciation of property and equipment	**16,195**	17,835	**33,924**	36,016
	(221,444)	(246,477)	**(312,587)**	(417,661)
Changes in non-cash operating working capital items:				
Inventories	**(2,415)**	509	**(1,080)**	(36,528)
Other receivables	**(15,891)**	75,180	**476,062**	69,686
Prepaid expenses and deposits	**3,131**	5,119	**3,131**	3,231
Accounts payable and accrued Liabilities	**(108,182)**	136,865	**(247,035)**	346,040
Cash used in operating activities	**(344,801)**	(28,804)	**(79,349)**	(35,232)
Cash flows from financing activities				
Issuance of note payable (note 10)	**(14,352)**	**15,271**	**(14,352)**	15,271
Cash provided by financing activities	**(14,352)**	**15,271**	**(14,352)**	15,271
Cash flows from investing activities				
Sale (Purchase) of equipment	-	-	**-**	**9,107**
Cash provided by investing activities	-	-	**-**	**9,107**
Increase (decrease) in cash	**(359,153)**	(13,533)	**(93,701)**	(10,854)
Cash and cash equivalents, beginning of period	**501,764**	21,212	**236,312**	18,533
Cash and cash equivalents, end of period	**$ 142,611**	**$** 7,679	**$142,611**	$ 7,679

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. ORGANIZATION AND GOING CONCERN

(a) Organization

Edgewater Wireless Systems Inc. (the "Company") was incorporated on January 8, 1980 under the British Columbia Company Act and continued on January 22, 1987 under the Canada Business Corporations Act. The Company's main activity is developing and commercializing leading edge technologies and intellectual property for the communications market. The address of the Company's head office is Suite 200, 50 Hines Road Ottawa, Ontario, Canada. The Company was formerly known as KIK Polymers Inc. and adopted its current name in January 2012.

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has not earned substantial revenue from the sale of its products and is, therefore, considered to be in the development stage. For the three month period ending October 31, 2014 the Company incurred a loss of $502,131 with a negative cash flow of $359,153.In the six months ended October 31, 2014, the Company incurred a net loss of $874,238 and negative cash flow from operating activities of $79,349. In addition, the Company has negative working capital of $1,461,214 (October 31, 2013, negative working capital of $568,291) and a deficit of $28,404,418 (October 31, 2013, $25,957,825). The continuation of the Company's product development and marketing activities is dependent upon the Company's ability to successfully fund its working capital requirements through either debt or equity financing.

There is significant doubt about the appropriateness of the use of the going concern basis of presentation because management has forecast that the Company's current level of cash and cash equivalents will only be sufficient to execute its current planned expenditures for 3 to 4 months immediately following the quarter-end without further financing. The Company is actively pursuing financing alternatives to provide additional funding. Management believes that it will complete one or more arrangements in sufficient time to resume its planned expenditures with minimal interruption; however, there can be no assurance that the capital will be available as necessary to meet these continuing expenditures or, if the capital is available, that it will be on terms acceptable to the Company. If the Company cannot secure additional financing on terms acceptable to it or generate product sales with upfront payments, the Company will have to consider additional strategic alternatives which may include, among other strategies, further cost curtailments, exploring the monetization of certain intangible assets, seeking to out-license and/or divest assets, winding up, dissolution or liquidation of the Company. As a result, there is a significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. Additionally, the issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the

1. ORGANIZATION AND GOING CONCERN (continued)

successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the ability of the Company to continue as a going concern. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

The condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis of presentation were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board. Condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The significant accounting policies applied in these consolidated financial statements are presented in Note 3 and are based on the International Financial Reporting Standards (IFRS) issued and effective as of April 30, 2013.

(b) Fiscal period

These financial statements present the Company's financial position as of October 31, 2014 with comparative information as of April 30, 2014. The results of its operations and changes in its financial position are presented for the three and six month periods ended October 31, 2014 with comparative information for the three and six months ended October 31, 2013.

(c) Basis of measurement

These financial statements have been prepared on a historical cost basis except as permitted by IFRS and as otherwise indicated within these notes.

These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. To the extent that some of these estimates relate to transactions which are expected to occur or be finalized in the future, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The impact of revisions to accounting estimates is recognized in the period in which such estimates are revised and in **BASIS OF PRESENTATION (continued)**

(e) Indicators of impairment

The Company derives all of its revenues from the sale of wireless access points and associated peripheral equipment and services and has no other operations. Additionally, all of the assets of the Company are used to generate revenues from the sale of wireless access points and associated peripheral equipment. In the judgement of management, the Company has one Cash Generating Unit ("CGU"). The Company assesses its cash generating unit at each reporting date to determine whether any indication of impairment exists. In the judgement of management, during the year ended April 30, 2014 there was at least one indicator of impairment which necessitated an impairment test of the CGU (see note 8).

Key sources of estimation uncertainty
Information about assumptions concerning the future and other key sources of estimation uncertainty that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is presented in the following notes:

Notes 8 -- Intangible assets
Notes 7 -- Property and equipment
Note 13(c) -- Share capital transactions
Note 13(d) -- Warrants
Note 13(e) -- Stock Options
Note 16 -- Income taxes

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(a) Basis of consolidation

The financial statements of the Company as at and for the three and six months ended October 31, 2014 comprise the accounts of the Company and its subsidiaries. Edgewater Wireless Systems Ltd. became a wholly-owned subsidiary of the Company, effective October 13, 2011. Edgewater Wireless do Brasil Tecnologia Ltda., incorporated under the laws of Brazil, also became a wholly-owned subsidiary on that date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company using accounting policies consistent with the Company. Intra-group balances and transactions, and any unrealized revenue and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the legal entities involved using the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the fiscal period end are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the fiscal period, adjusted for effective interest and payments during the fiscal period, and the amortized cost in foreign currency translated at the exchange rate at the end of the fiscal period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss.

(c) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the end of the fiscal period. The income and expenses of foreign operations are translated to Canadian dollars at the average rate of exchange which prevailed during the fiscal period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net loss for the period.

(d) Cash and cash equivalents

Cash and cash equivalents include unrestricted cash balances and highly liquid marketable securities that are cashable on demand.

(e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out method and includes expenses incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

(f) Property and equipment

Property and equipment is measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes any expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of an item of the related property and equipment are determined

SIGNIFICANT ACCOUNTING POLICIES (continued)

by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss from operations.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its anticipated residual value.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives noted below:

Laboratory equipment	3 years
Computer hardware	3 years
Furniture and fixtures	3 years

The assets' residual values, useful lives, and methods of depreciation are reviewed at each fiscal year end and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

(g) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Product development costs are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Amortization of intangible assets is recognized in the statement of loss and comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

Patents	5 years
Computer software	3 years

(h) Impairment

The carrying values of property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recorded when the recoverable amount of an asset or its CGU is less than its carrying amount. Impairment losses recorded in previous fiscal periods are evaluated for potential reversals when events or changes in circumstances in subsequent periods warrant such consideration.

(i) Income taxes

Income tax expense comprises current and deferred elements. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

1. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and;
2. differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset only under very limited circumstances.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be applied. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Financial instruments

(i) Non-derivative financial assets

The Company's financial assets are cash (and cash equivalents) and trade receivables, all of which were initially recognized at fair value as these assets have been classified as Loans and Receivables. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

The Company's accounts payable and accrued liabilities are classified as other financial liabilities. As such, they are initially recorded in the statement of financial position at fair value. Subsequent to initial recognition, they are measured at amortized cost using the

SIGNIFICANT ACCOUNTING POLICIES (continued)

effective interest method.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from common shares, net of any tax effects.

(iv) Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from warrants, net of any tax effects. Proceeds of compound financial instruments that include warrants are allocated to their components based on their relative fair values. The fair value of warrants is estimated using the Black-Scholes option pricing model at the time of their issuance. If warrants are exercised, a pro-rata portion of the amount recognized at their original issuance is transferred to common shares. If warrants expire unexercised, the amount recognized at their original issuance is transferred to contributed surplus.

(v) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder; the number of shares to be issued does not vary with changes in their fair value but may reflect unpaid interest.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, losses and gains relating to the liability component are recognized in profit or loss.

(k) Share-based payment transactions

For stock options that vest immediately, compensation expense is recorded based on the estimated fair value of the stock options at the grant date using the Black-Scholes option valuation model. For stock options granted which vest over time, the Company calculates the grant-date fair value of the share-based payment and recognizes the expense over the period that the recipients become unconditionally entitled to the awards. In both cases, the corresponding credit is recorded in contributed surplus. At each calculation of expense, an estimate is made of the number of options expected to ultimately be exercised. Where the expense relates to options granted to employees, the amount recorded is not adjusted in future periods.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions; goods are recognized when they are obtained and services are recognized when received. Goods and services are recognized at their fair value unless such fair value cannot be measured reliably in which case the goods or services are measured with reference to the equity instruments granted.

(l) Warranty

Provisions for product warranties are typically based on current volumes of products sold still under warranty and on the historic rate of warrant claims. Also taken into consideration are estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur.

(m) Leases and financing arrangements

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. Interest expense on equipment financing arrangements of 12 months or shorter duration is allocated on a straight-line basis over the term of the lease.

(n) Revenue Recognition

Revenue for product sales is recognized when the significant risks of ownership have been transferred to the customer, typically at the point where the product is picked up by the customer’s carrier and when persuasive evidence exists that payment is probable, usually in the form of a binding purchase order reflecting previously negotiated deposit requirements and payment terms.

Revenue from the provision of services is recognized in profit and loss in proportion to the state of completion of the transaction at the reporting date.

Revenue from arrangements that included multiple deliverables are considered to be multiple element arrangements. Under this type of arrangement, separate units of accounting are identified, based on whether they have stand-alone value, and revenue is allocated among the separate units based on their relative fair values.

(o) Operating Segments

The Company derives all of its revenues from a single product segment being wireless access points and associated peripheral equipment and services. The Company derives its revenues globally but all sales are attributed to the Canadian head office. All of the Company’s assets are in Canada. The same products and services are offered for sale in all geographic regions at the same average gross margins.

SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's revenues were derived from the following regions:

	Three months ended		Six months ended	
	October 31, 2014	October 31, 2013	**October 31, 2014**	October 31, 2013
Africa	**$ -**	$ 451	**$ -**	$ 95,556
South America	**-**	-	**-**	9,831
North America	**13,689**	26,203	**23,771**	$ 26,203
	$**13,689**	$26,654	**$23,771**	$ 131,590

(p) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period (adjusted for own shares held). Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding (adjusted for own shares held) for the dilutive effects of all potential common share issuances relating to outstanding warrants, convertible debentures and stock options.

(q) New standards and interpretations not yet adopted

The IASB has issued the following new and revised standards and amendments, which were not yet effective at October 31,2014:

(i) IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 replaces International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39"), and establishes principles for the financial reporting of financial assets and financial liabilities to permit users to assess the amounts, timing and uncertainty of an entity's future cash flows. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company has not yet adopted this standard and management is currently assessing the impact of this new standard on its consolidated financial statements.

4. Cash and cash equivalents

At October 31, 2014 and April 30, 2014, cash and cash equivalents comprised exclusively cash in the Company's bank accounts.

5. Amounts receivable

The composition of amounts receivable was as follows:

	October 31, 2014	April 30, 2014
Trade receivables (net)	**$36,170**	$519,701
Ontario Investment Tax Credit	**192,825**	192,825
HST receivable	**8,672**	3,759
	$240,667	$716,285

At October 31, 2014 the Company had recognized an allowance for doubtful accounts in the amount of $99,964 (April 30, 2014, $99,964).
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6. Inventories

The composition of inventories was as follows:

	October 31, 2014	April 30, 2014
Finished Goods - access points	**$72,269**	$ 82,209
Finished Goods - accessories	**45,054**	36,194
Raw materials	-	595,376
	$117,323	$713,779
Provision for obsolescence of raw material		**(595,376)**
	$117,323	$118,403

7. Property and equipment

Cost	**Laboratory equipment**	**Computer hardware**	**Furniture and fixtures**	**Total**
Balance at April 30, 2013	$ 160,901	$ 56,997	$ 9,928	$ 227,826
Disposals during the period	-	(13,608)	-	(13,608)
Balance at April 30, 2014	$160,901	$43,929	$9,928	$214,758
Balance at October 31, 2014	**$160,901**	**$43,929**	**$9,928**	**$214,758**

Accumulated Depreciation	**Laboratory equipment**	**Computer hardware**	**Furniture and fixtures**	**Total**
Balance at April 30, 2013	$ 73,210	$ 22,070	$ 3,716	$ 98,996
Additions during the period	53,209	14,984	3,309	71,502
Disposals during the period	-	(5,209)	-	(5,209)
Balance at April 30, 2014	**$126,419**	**$31,845**	**$7,025**	**$165,289**
Additions during the year	25,074	7,194	1,654	33,922
Balance at October 31, 2014	**$ 151,493**	**$ 39,039**	**$ 8,679**	**$203,211**
Net book value at October 31, 2014	**$ 11,547**			
Net book value at April 30, 2014	49,469			
Net book value at April 30, 2013	128,830			
Net book value at April 30, 2012	243,926			

Depreciation expense of $33,922 in the six months ended October 31, 2014 was recorded in the consolidated statement of loss and comprehensive loss and allocated to each of the four functional areas appearing in that statement.

8. Intangible assets

Cost	**Patents**	**Computer software**	**Total**
Balance at April 30, 2013	$9,549,093	$ 45,738	$9,594,831
Disposals during the period	-	(2,970)	(2,970)
Balance at April 30, 2014	$9,549,093	$42,768	$9,591,861
Additions during the year	-	-	-
Disposals during the year	-	-	-
Balance at October 31, 2014	**$9,549,093**	**$ 42,768**	**$9,591,861**

Accumulated Amortization and Impairment Losses	**Patents**	**Computer software**	**Total**
Balance at April 30, 2013	$ 6,135,713	$ 19,196	$6,154,909
Balance at October 31, 2014	**$7,649,498**	**$37,634**	**$7,687,132**
Net Book value at October 31, 2014	**$1,904,729**		
Net Book value at April 30, 2014	2,415,824		
Net book value at April 30, 2013	3,439,922		
Net book value at April 30, 2012	7,821,729		

Amortization expense of $511,595 in the six months ended October 31, 2014 was recorded in the consolidated statement of loss and comprehensive loss. Amortization of patents was recorded entirely as product development expense whereas amortization of computer software was allocated among the four functional areas presented in the consolidated statement of loss and comprehensive loss.

9. Accounts Payable and Accrued Liabilities

The composition of accounts payable and accrued liabilities was as follows:

	October 31, 2014	April 30, 2014
Trade accounts payable and accruals	**$1,504,594**	$1,577,549
Accrued vacation pay	**82,581**	91,700
Accrued salaries and commissions	**376,176**	365,117
Deferred Revenue	**3,277**	24,547
	$1,966,628	$2,058,913

Deferred Revenue represents primarily billings to customers in advance of completion of a final service to be rendered at the customer's location, but also includes prepayment for goods to be delivered at a later date.

10. Note Payable

On August 26, 2013, the Company entered into a short-term loan agreement with an individual who is a shareholder and officer. The principal amount of the loan was $15,000. The maturity date of the loan was December 31, 2013 but, on December 23, 2013, the lender agreed to extend the maturity date to June 30, 2014. The loan may be repaid at any time without penalty. Interest accrues on a daily basis calculated at the rate of 10% p.a. As at October 31, 2014 the outstanding balance was $8,499.

11. Related party transactions

(a) Transactions with related entities

During the six months ended October 31, 2014, amounts totaling $880 (six months ended October 31, 2013, $17,501) were invoiced to or accrued by the Company on account with Edgewater Computer Systems, Inc. ("ECSI") under the terms of a shared services agreement. Under the terms of the agreement, ECSI provides, on a part-time basis, the services of certain administrative and senior technical staff that the Company does not require on a full-time basis. ECSI also sub-leases office and laboratory space to the Company. ECSI is a shareholder of the Company and is controlled by a director of the Company. Included in accounts payable and accrued liabilities at October 31, 2014 was $78,140 due to ECSI.

(b) Transactions with key management personnel

During the six months ended October 31, 2014, the Company paid no amounts to Directors or senior management of the Company other than as remuneration in their capacity as employees or reimbursement of expenses incurred in the performance of their duties. The Company's compensation program provides that total compensation for senior management may include a combination of base salary, and objective-based incentives as well as the same health and insurance benefit programs as provided to all other employees. All Directors and officers are eligible to receive stock options (see note 12(e)).

Senior management personnel are not entitled to any post-employment benefits other than those available to all employees. Severance to be paid upon the involuntary termination of a member of senior management is equivalent to three month's salary on or before completion of two years of their employment and six month's salary thereafter.

During the six months ended October 31, 2014, the Company, as borrower, entered into a short-term loan agreement with an individual who is a shareholder and officer (see note 10 above).

12. Share capital

(a) Authorized

Unlimited number of common shares of no par value
1,600,000 convertible preferred shares Series 1
Unlimited number of convertible voting preferred shares Series 2

(b) Issued and outstanding shares

During the quarter there were no transactions involving the issuance of common shares.

Common Shares	Number	Amount
Balance, April 30, 2014	113,774,144	$25,758,139
Balance, October 31, 2014	**113,774,144**	**$ 25,758,139**

Preferred Shares -- There were no preferred shares of either series issued and outstanding at the dates of the statements of financial position presented. The provisions of both series of preferred shares preclude any further issuances without an amendment to the Company by-laws.

(c) Share capital transactions

There were no share transactions during the quarter however on April 14, 2014, the Company issued 8,168,760 Units at a price of $0.05 per Unit for cash proceeds of $408,437. Each Unit consisted of one common share and one warrant to purchase an additional share in the common stock of the Company at the price of $0.11 per share until April 14, 2015. Using the Black-Scholes option pricing model each warrant was estimated to have a value of $0.0223 based on a risk free interest rate of 1.05%, expected dividend yield of 0%, and an expected volatility of 190%. Volatility was estimated by reviewing the most recent trading activity on the TSX-V; from this review and taking into consideration additional factors unique to the Company, an estimated volatility of 190% was established. Based upon this calculation, $125,977 of the proceeds was allocated to the warrants. Cash finders' fees and legal costs totaling $11,551 were incurred in closing the sale of the Units. These costs were allocated to Share Capital and Warrants on a pro-rata basis pursuant to the allocation of the proceeds from the sale of the Units.

12. (d) Warrants

	Number	Amount	Price	Expiry date
Balance, April 30, 2013	38,148,043	$1,808,480		
Expired during the year	(26,759,000)	(1,517,735)	$0.25	
Issued on private placement	8,168,730	122,414	$0.11	April 13, 2015
Balance, April 30, 2014	19,557,773	$413,159		
Expired during the period	-	-		
Balance, October 31, 2014	**19,557,773**	**$ 413,159**		

12. (e) Stock Options

The Company's stock option plan provides that total options outstanding be limited to a maximum of 10% of the issued and outstanding common shares, calculated at the time of each grant. Options may be granted to Directors, employees or consultants at the discretion of the Board. The plan further provides that vesting requirements, pricing and term are all established, at the discretion of the Board of Directors, at the time of each grant, subject to a maximum term of 10 years and any regulatory restrictions.

The composition of stock options outstanding at October 31, 2014 and changes during the six months ended at that date were as follows:

	Options outstanding	Weighted average exercise price	Years to expiry	Options exercisable	Weighted average exercise price	Years to expiry
Balance, April 30, 2014	6,537,933	$0.2479	**5.40**	**4,526,932**	**0.3095**	**3.29**
Forfeited	(228,161)	$0.500	2.26	600,000	$0.500	2.26
	(50,000)	0.250	7.83	2,646,669	0.250	7.83
	(500,000)	0.100	8.84	2,646,669	0.100	8.84
	(500,000)	0.150	8.84	500,000	0.150	8.84

				476,666	0.100	9.00
Balance, October 31, 2014	**5,259,772**	**$0.260**	**4.61**	**3,725,437**	**$0.0323**	**2.28**

13. Contributed surplus

A summary of the contributed surplus at October 31, 2014 and the changes during the six months then ended are presented below:

Balance, April 30, 2014	$ 2,675,548
Value of warrants which expired unexercised	-
Fair value of stock options granted and vested during the period and previous periods	16,633
Balance, October 31, 2014	**$ 2,692,181**

14. Loss per common share

For the purposes of calculating diluted loss per share the deemed exercise of any options and warrants outstanding would represent a potentially anti-dilutive effect; accordingly, the weighted average number of shares used for the calculation of diluted loss per share is the same as used in the calculation of basic loss per share.

The underlying common shares pertaining to the 5,259,772 stock options and 19,557,773 warrants outstanding at October 31, 2014 could potentially dilute future earnings per share calculations.

15. Income taxes

As the Company is not currently profitable and had been inactive for several years prior to the 2012 fiscal year, there is no tax expense.

Deferred income taxes reflect the impact of losses carried forward and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax recoveries and the corresponding deferred tax assets are only recognized when it is probable that future taxable profit will be available to utilize the benefits. Due to the uncertainty of future income, the Company has not recognized any deferred tax assets.

The Company had intangible assets with a net book value of approximately $1.9 million (see note 8) and a tax basis of nil for which no deferred tax liability has been recognized due to the initial recognition exemption under IFRS.

16. Nature of Expenses

The consolidated statement of loss and comprehensive loss presents the expenses of the Company categorized by their function. The table below provides supplementary information regarding some of the major expenses categorized by their nature.

	Six months ended October 31, 2014
Compensation, Employees and Directors	$124,634
Depreciation and Amortization	545,016
Consulting Fees	98,317
Insurance	16,723
Travel	23,083
Legal and Regulatory Fees	37,572

17. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

As a result of the acquisition of the assets of Edgewater Wireless Systems, Inc., the Company has established a business based on the products and intellectual property acquired. The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will spend its existing working capital and raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

18. Financial instruments

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

(a) Fair value

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value in the statement of financial position have been prioritized into three levels of a fair value hierarchy: level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities; level two includes inputs that are observable other than quoted prices included in level one, and; level three includes inputs that are not based on observable market data.

There are no financial instruments carried at fair value. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and demand notes payable approximate their carrying values due to their short-term nature.

(b) Credit risk

Credit risk is the risk of loss associated with the debtor's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and trade receivables. Cash and cash equivalents consist of investment-grade short term guaranteed investment certificates which have been invested with the Company's banking institution, from which management believes the risk of loss to be minimal.

Management believes that the credit risk concentration with respect to financial instruments included in trade receivables is minimal. Although credit terms vary among customers, the Company's typical policy calls for a 10-20% deposit upon receipt of an order with the balance due 60-90 days after delivery. Standard practice also includes the seeking of an approved credit limit under a receivables insurance policy with Export Development Canada which provides coverage of up to 90%.

At October 31, 2014, there were no trade receivables insured with Export Development Canada. Also, at that date, approximately $123,027 were considered overdue: an allowance for doubtful accounts in the amount of $99,624 was established to provide for potentially unrecoverable amounts.

(c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2014, the Company had cash of $142,611 to settle current liabilities of $1,975,127. The majority of the Company's current financial liabilities have contractual maturities of less than ninety days and all are subject to normal trade terms.

(d) Market risk

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and commodity prices.

Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the credit-worthiness of its bank. There were no such investments in place at October 31, 2014.

Foreign currency risk
The Company's functional currency is the Canadian dollar. The majority of expenses are transacted in Canadian dollars as was a significant majority of revenues in the 2013 fiscal year. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk. At October 31, 2014 the Company had the following significant balances denominated in foreign currency: trade receivables (net of allowances), US$29,551 and; accounts payable and accrued liabilities, US$1,005,552

Price risk
Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is not exposed to any significant commodity price risk.