EDGEWATER WIRELESS SYSTEMS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED OCTOBER 31, 2015
(IN CANADIAN DOLLARS UNLESS OTHERWISE STATED)

This Management Discussion and Analysis ("MD&A") of Edgewater Wireless Systems Inc. should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the quarter ended October 31, 2015. The audited consolidated financial statements for the year ended April 30, 2015 were prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to December 15th, 2015. Additional information of the Company is available on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information contained herein including (without limitation) financial and business prospects and financial outlooks, may constitute forward-looking information which reflects management's current expectations regarding future events, conditions, plans and intentions, growth, results of operations, financial position, performance and business prospects and opportunities, future technological developments, future revenue generation, creation of new customer accounts, increased efficiency of our operations, our ability to take advantage of current market conditions, population trends, and predictions of future actions, plans or strategies. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect," "intend", "plan", "potential", "continue" and similar expressions have been used to identify such forward-looking information. In connection with such forward-looking information, certain assumptions have been made about our business, the economy and other matters. By its nature, such information is subject to certain risks and uncertainties, known and unknown, including, without limitation:

- *technological change;*
- *development of new products;*
- *proper performance of equipment;*
- *the risks associated with credit;*
- *the exchange rate of the U.S. dollar and other currency fluctuations;*
- *changes in accounting policies and estimates;*
- *changes in consumer preferences, customer demand for our products and services and our ability to maintain customer relationships;*
- *disruption to manufacturing and distribution activities due to labour disruptions, bad weather, natural disasters and other unforeseen adverse events;*
- *the recruitment and hiring of competent personnel; and*
- *the discontinuation by our suppliers of certain technologies or the exiting by one of our suppliers from the electronics market;*
- *the availability of sufficient and appropriate financing.*

The above (and other) factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied in such forward-looking information. See also "Risks and Uncertainties" below. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking information prove incorrect, our actual results may vary materially. We do not intend and do not assume any obligation to update such forward- looking information whether as a result of new information, plans, events or otherwise, unless required by law.

Corporate Structure

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 adopted its current name at a meeting of shareholders on January 12, 2012. The Company is in the development stage.

The Company's shares trade on the TSX Venture Exchange under the symbol YFI.

The Company's head office is Suite 200, 50 Hines Road, Ottawa, Ontario, Canada.

Description of the Business

The Company's main activity is developing and commercializing leading-edge technologies and intellectual property for the wireless communications market. The Company's flagship product line, its family of multi-channel Wi-Fi access points, known as WiFi3™, targets high density Wi-Fi applications in the growing Carrier Wi-Fi and large enterprise markets.

The Company's products fix painfully slow Wi-Fi and its sweet spot is high-density applications where traditional, single channel Wi-Fi struggles.

Discussion of Operating Results

Driven by the growing proliferation of data hungry devices such as smart phones, tablets, laptops and watches, the $33 billion dollar global Wi-Fi market[1] continues to shift toward higher user density. With the average North American user having over 2.9 devices[2], service providers such as telcos, large enterprises, stadium and convention centre operators, are struggling to deliver high quality of service Wi-Fi networks need for monetization.

Adding to the Wi-Fi network demands, the growing trend toward IoT, or the Internet of Things[3], where common household and industrial devices are being interconnected wirelessly, we believe the high-density Wi-Fi problem will continue to rise in prominence over the upcoming years and the challenge is being heard from the market.

In focusing on the key issues facing the growing proliferation of Wi-Fi enabled devices, our vision to fix painfully slow Wi-Fi in high-density applications maps directly to our core technology for our patented multi-channel Wi-Fi. We believe increasing the number of channels, or the densification of Wi-Fi networks is the only reliable way to overcome the density challenge.

[1] Source: http://www.marketsandmarkets.com/PressReleases/global-wi-fi.asp
[2] Source: http://www.marketsandmarkets.com/PressReleases/global-wi-fi.asp
[3] Source: https://en.wikipedia.org/wiki/Internet_of_Things

The operating results for the quarter ending October 31, 2015 are reflected in the following key activities and events during the period:

- Marketing efforts focused on our high-density Wi-Fi message continued in the reporting period. The Company was part of an exclusive group of Canadian mobile technology companies accepted as part of the Wavefront AC Contingent to attend the Telecom Council Carrier Connections (TC3) Summit in Silicon Valley. The event, which was attended by numerous Global Telcos and Tier 1 telecom vendors, was the spring board for a number of OEM partner discussions and demonstrations.

- To address the growing demand by potential OEM and Licensing partners for demonstrations, we made major strides in packaging an easily repeatable demonstration of our WiFi3™ technology. The demonstration pits 'industry leading' competitor's products against our entry level WiFi3™ product in a real-world, high-density scenarios and demonstrates a 20 to 40 times performance gain[4] by Edgewater and is a necessary step in progressing commercial discussions.

- In the reporting period, Management moved to strengthen the team with a number of strategic hires in key software development and marketing positions. While conservation of cash continues to be an important and critical element in our approach to managing the long-term success of the company, a strong team is and will continue to be an important and critical element of our long-term innovation and growth strategy.

- Following the fully subscribed, non-brokered private placement which raised gross proceeds of $1,696,989 in the previous reporting period, management accelerated efforts to strengthen the balance sheet by negotiating with key suppliers to convert current accounts payable and accrued liabilities to long term Notes Payable.

- Following the reporting period, we were recognized as one of Canada's hottest tech companies. Edgewater Wireless was named one of the top 20 most innovative companies by the Canadian Innovation Exchange (CIX) and was presented with an award on November 18, 2015.

Executing on the Company's new focus on the high-density Wi-Fi market segment, Management continued to focus on three separate Business Units and they are as follows:

1. High-Density Wi-Fi Solutions
2. OEM and Licensing
3. IP Monetization

<u>High-Density Wi-Fi Solutions Business Unit</u>

[4] Comparison of aggregate throughput in a 5 to 10 user scenario between a 802.11AC access point versus a WiFi3™ powered access point. Measured using 7-Signal performance analysis tools (http://7signal.com)

Focused on providing solutions for the High-Density Wi-Fi and IoT (Internet of Things) markets, we continue to target applications such as convention centres, large enterprises, shopping malls and public areas with WiFi3™ powered Access Points coupled with best-in-class solutions for Access Control, Offload and Location Based Services ("LBS"). Working with best in class partners allows us to remain laser focused on our core competency: multi-channel Wi-Fi while leveraging the Research and Development of various technology partners.

Our go-to-market strategy for the business unit continues to be a mix of direct and indirect channels to market. Activities in the High-Density Wi-Fi solutions business unit for the reporting period included:

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Our go-to-market strategy for the business unit continues to be a mix of direct and indirect channels to market. Activities in the High-Density Wi-Fi solutions business unit for the reporting period included:

- Working with our partner G2 Industries, the deployment of WiFi3™ at Haiti's Panamax Port — Port Lafito facility owned by GB Group and operated by SSA Marine was completed. The Wi-Fi network installation was designed to remotely connect port workers as well as technical operations and visiting ships and large facility presented an exceptionally challenging RF environment where traditional Wi-Fi solutions struggled to perform.

- The building of a strategic partnership with Rare Tech Projects PVT Ltd. (India). With over 960,000,000 mobile devices and a strong public sector push to deliver data services to the population[5], the demand for data in India is staggering. Rare Tech is establishing a high-density Wi-Fi Demonstration Centre in India to showcase Edgewater's WiFi3™ powered solutions and provide real-time competitive benchmarking. The multi-million dollar Demonstration Centre will allow prospective commercial customers and regional partners to trial and demonstrate WiFi3™ technology in real-time.
- Following the reporting period, the Company launched IoTair™, the first ever IoT (Internet of Things) platform utilizing WiFi3™ technology. Designed to handle the hundreds of devices that will dominate IoT network deployments, IoTair™ relies on WiFi3™ technology's unique capabilities to address the growing densification of wireless networks.

Manufacturing Partners (OEM) and Licensing Business Unit

Focused on accelerating the adoption of the Company's IoTair™ technology, product development activities in the OEM and Licensing Business Unit have been tailored to packaging our core multi-channel Wi-Fi technology in an easily integrated fashion for use by or licensing by other companies. Target

[5] http://bit.ly/1IZOZVh

applications for the Business Unit include Small Cell Vendors, Distributed Antenna Vendors (DAS), Wi-Fi equipment vendors and custom applications struggling to address the Wi-Fi density issue.

Activities in the OEM and Licensing Business Unit for the reporting period included:

- The Company was part of an exclusive group of Canadian mobile technology companies accepted as part of the Wavefront AC Contingent to attend the Telecom Council Carrier Connections (TC3) Summit in Silicon Valley. The event, which was attended by numerous Global Telcos and Tier 1 telecom vendors, was the spring board for a number of OEM partner discussions and demonstrations.

- Building on our earlier announced strategic alliance with Zinwave[6] to target the US$9 billion Distributed Antenna System (DAS) market[7], we began early stage sales and marketing efforts for the WiFi3™ powered solutions. Activities, which included a number of demonstrations and pilots which have resulted in joint RFP responses.

- During the reporting period, we continued to provide software and integration support to our Fortune 500 customer as they integrate our High-Density Wi-Fi Development Kit into their proprietary platform.

While timelines for integration of WiFi3™ vary by customer, application and degree of complexity, Management believes opportunities to embed the highly differentiated, multi-channel feature set provides significant potential upside and reduces competitive threats.

Intellectual Property and Patent Monetization Business Unit

Building on success in early 2015, the Intellectual Property (IP) and Patent Monetization Business Unit is focused on unlocking shareholder value from the Company's Patent Portfolio. Activities in the IP Monetization Business Unit for the reporting period included:

- During the reporting period, the Company received Notice of Award of from the U.S. Patent office for a U.S. patent application on Automatic Gain Control (AGC) for Multi-channel / Wideband Communication Systems; further growing our patent portfolio. Additionally, the Company is filing for a Continuation of the Granted Patent with broader claims.

- We continue to create innovation new technologies to optimize performance and quality of service in Wireless networks — particularly in high-density scenarios — and believe a strong patent portfolio is a critical part of our competitive strength.

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[6] Zinwave: Zinwave, a leading supplier of wide-band DAS technology of in-building wireless and IP coverage is integrating WiFi3™ into its proven DAS offering to provide the industry's first dedicated high-density, multi-channel wireless and Wi-Fi coverage solution. http://www.zinwave.com/news/press-releases/zinwave-discusses-the-challenges-of-satisfying-high-capacity-wi-fi-requirements-in-sports-venues-at-/

[7] Source: "Lead by North America the In-Building Wireless Market Heads towards US$9 Billion by 2020" ABI Research May 13, 2015.

Although in the early stages, we believe there are opportunities to further increase the Company's patent portfolio and there could be additional opportunities to monetize various patents through licensing or sales.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets forth selected quarterly financial information for the Company`s eight most recent fiscal quarters to October 31, 2015. This information is unaudited but reflects all adjustments of a normal, recurring nature that are, in the opinion of management, necessary to present a fair statement of the Company`s consolidated results for the periods presented. Quarter-to-quarter comparisons of the Company`s financial results are not necessarily meaningful and should not be relied on as an indication of future performance.

All financial amounts are presented in thousands of Canadian dollars except loss per share figures.

Quarter ended	**Oct 31/15**	**July 31/15**	**April 30/15**	**Jan 31/15**	**Oct 31/14**	**July 31/14**	**Apr 30/14**	**Jan 31/14**
Revenues	$73.1	$58.8	$65.1	$1.3	$13.7	$10.1	$4.8	$39.4
Increase (decrease) relative to preceding quarter	24.3%	(9.7%)	49.1%	(91.5%)	35.6%	106.1%	*(87.8%)*	*47.6%*
Gross margin	$50.1	$30.8	29.6	$1.2	$1.2	$6.6	$3.3	$29.0
as a percentage	*69.8%*	*52.4%*	*45.5%*	*92.3%*	*8.8%*	*65.3%*	*68.5%*	*73.5%*
Net Income (Loss)	$(597.4)	$(513.2)	$(647.9)	$(359.3)	$(502.1)	$(381.1)	$(825.2)	$(465.9)
Loss per share -basic and diluted	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.01)	$(0.00)
Weighted Average number of common shares outstanding	124,980,299	122,879,643	115,237,575	113,744,144	113,774,144	113,744,144	106,982,166	105,605,414

Due to the project nature of the large-scale network deployments by end customers of the Company's WiFi3™products, management expects operating results to fluctuate significantly on a quarterly basis and the results of operations for interim periods should not be relied upon as an indication of future performance.

Q2 2016 Highlights:

- Revenue totaling $73,100 was generated in Q2 2016, up from the $58,800 generated in the prior quarter and significantly higher than the $13,700 generated in the same quarter a year earlier. The backlog, recorded as deferred revenue was $25,651.
- Gross margin improved somewhat to 69.8% from 52.4% in the prior quarter. Due to the modest levels of revenues at present, gross margin is quite variable reflecting the mix of proprietary products, third party products and/or services sold in the particular quarter.
- Net loss of $597,401 represented an increase over the prior quarter's loss of $513,200 and an increase from the loss of $502,100 recorded in the same period a year earlier. Included in this

was an unrealized foreign exchange loss of $123,201 as the Canadian dollar declined against the USD denominated accounts payable. Product Development expenditures for the quarter of $284,379 were in line with what was spent in the prior quarter and the same quarter a year earlier of $291,821.

- Working capital improved from $304,599 at the end of the prior quarter to $525,060 (versus a working capital deficiency of $999,404 at the end of our last fiscal year (30 APR 15). A significant contributor was reaching arrangements with various suppliers to convert their current accounts payable and accrued liabilities to term notes payable. These notes payable have amortization periods of three and four years. A portion bears interest at six (6%) percent per annum. The balance are non-interest bearing. The notes are not convertible. There are no restrictive or performance covenants associated with these notes. The note holders are to be granted special warrants equivalent to 1 warrant for each CAD $ of liability which was transitioned at a same strike price as our last private placement.
- Weighted average number of shares outstanding of 125.0 million at the end of the quarter reflects the impact of the non-brokered private placement received in Q1 and an increase from the prior quarter which totaled 122.9 million and the year earlier quarter end of 113.7 million.

Related party transactions

Transactions with related entities

During the quarter ended October 31, 2015, amounts totaling $8,016 were billed to the Company by Edgewater Computer Systems, Inc. ("ECSI") under the terms of a shared services agreement (quarter ended October 31, 2014, $Nil). 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, 2015 was $77,769 due to ECSI (April 30, 2015, $78,140).

Transactions with key management personnel

During the quarter ended October 31, 2015 the Company paid no amounts to directors or senior management of the Company other than as remuneration in their capacity as Directors or employees or reimbursement of expenses incurred traveling in the performance of their duties.

During the quarter ending October 31, 2015, there were no new option grants. None of the directors or senior managers participated in the non-brokered private placement.

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.

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.

Liquidity

The Company is still considered to be in the development stage as it has not earned substantial revenue from the sale of its products. During the three months ended October 31, 2015, the Company incurred a net loss of $597,401 and negative cash flow from operating activities of $445,196. 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.

At our most recent fiscal year end, we reported concern about the appropriateness of the use of the going concern basis. Management monitors our ability to fund our ongoing commitments on a frequent basis.

The Company had $1,884,228 in cash and cash equivalents at the end of the quarter which management believes should be adequate to fund operations based on our current forecast of expenditures and revenue for the next 12 to 15 months.

Risk and Uncertainties

Market Risk

There are a number of influences in the market. The economic situation either in specific countries or globally, including levels of government expenditures, monetary policy, capital availability, consumer confidence or levels of economic activity, could worsen leading to a potential slowdown or reduction in spending on infrastructure equipment. Management has also targeted a number of regions where growth is expected to be higher than the global average and is targeting countries that are spending on infrastructure and on large infrastructure projects such as the Indian subcontinent and countries in Central America and the Caribbean, in addition to North America and parts of Europe.

Management also recognizes the need for prudent cash flow management and the need to target qualified sales and marketing activities that represent low risk and high return.

Market risk also includes political risk and the uncertainty associated with unstable or changing governments due to political or socio-economic upheaval.

Competition and competing technologies lead to competitive risks as new technologies and products are developed. Management recognizes the need to invest in product development in order to continue to add high-value, differentiated capabilities to expand both the depth and the breadth of the product offering. Management is looking at various acquisition strategies that would enhance the Company's position in product breadth and product features based on market drivers. Management recognizes the need to ensure customer satisfaction through all phases of the sales cycle. Management also intends to invest in competitive intelligence and analysis relating to the dynamics of the market, trends in technology and in competing products as they are introduced into the market.

Operational Risk

There are a number of circumstances that could affect a supplier's ability to supply a component; such as financial, political, technical, natural disaster or just a business decision to no longer supply the particular component. Should this happen and, depending on the nature of the component, the resulting impact ranges between identifying a substitute component with little or no redesign effort to the system or subsystem to affecting a redesign of a system or subsystem to accommodate a potential part change.

The Company endeavours to use components that are available from more than one supplier whenever possible. The Company has four custom components that are unique and available only to the Company. They are fabricated by a large, multi-national semiconductor company that has multiple fabrication facilities around the world. In this case, these components are available from a single supplier but the risks are mitigated by the single supplier's ability to source the components from multiple world-wide sites. Lastly, the Company has engaged with a contract manufacturer which is responsible for the assembly and distribution of the Company's products. As part of the criteria for selecting a contract manufacturer, the Company made it a requirement for the manufacturer to have more than one site and to have operations in more than one country in order to mitigate the risk of that supplier being unable to manufacture and distribute the Company' products as needed.

Although the Company will endeavor to have suppliers with operations in multiple countries where the Company's product could be built in order to obviate issues related to political and socio-economic changes, failure to develop multiple key suppliers will put the Company at risk that the business failure of a single-source supplier will disrupt its business.

Management also recognizes that contractual risks may create adverse issues in running the business. Management has engaged experienced contracts experts to help mitigate contractual risk with key customers. When prudent, the use of export insurance through organizations such as Export Development Canada ("EDC") will help to mitigate contractual and payment risks with key customers.

Particularly in its early years, the Company's revenues will occasionally be derived from a few, large customers engaged in network deployments scheduled over extended periods of time. With such concentration of revenues, the Company's operating results will be highly dependent not only on its own performance but on the performance of those customers to execute against their deployment plans.

Staffing and Human Resources Risk

Management has built a core team of professionals experienced in telecommunications and network technology, product development, manufacturing, sales and marketing and corporate finance. The Company has implemented an option program that will provide long term incentive for key employees. The Company has also established a compensation committee to ensure that key employees are fairly compensated. The Company is headquartered in Ottawa, Ontario, where there is a substantial high-tech community and, as such, a large community of engineers, technologists, software developers and others experienced in the telecommunications and networking market space; however, there is a risk that qualified personnel will not be available or, if available, will be prohibitively expensive. See "Reliance on Key Personnel" below.

Financial Risk

Following the principles of conservative cash management, the Company's standard business terms and conditions make provisions for advance payment on product orders. In cases where extended payment terms are required, shipments are backed by credit insurance facilities from agencies such as EDC whenever possible.

Reliance on Strategic Relationships

In conducting its business, the Company relies on continuing existing strategic relationships and forming new ones with other entities in the wireless technology industry, such as joint venture parties and partners, and also certain regulatory agencies and governmental departments. While the Company has no reason to believe otherwise, there can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

International Risk

The Company continues to expand its international operations. Foreign operations face additional specific local risks, which may adversely affect the Company, including: changes in legal and regulatory requirements (including tariffs and other trade barriers); less favourable intellectual property laws; any loss of sales personnel in one of the Company's foreign offices that could result in a significant loss of sales in that foreign country; changes in local tax rates and other potentially adverse tax consequences (including the cost of repatriation of earnings); collectability of accounts in foreign jurisdictions; and burdens of complying with a wide variety of foreign laws, including changing import and export regulations.

Future growth depends in large part on the ability to increase business in international markets. This will require significant management attention and financial resources, including capital to hire additional personnel and establish additional international facilities.

Protection of the Company's Intellectual Property

The Company's success will depend, in part, on its ability to protect its rights in its intellectual property. The Company will rely on various intellectual property protections, including patents, copyright, trade-mark and trade secret laws and contractual provisions, to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use its intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada and the United States. Furthermore, many key aspects of networking technology are governed by industry-wide standards, which are freely available to all market entrants.

To protect its intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of its management, cause significant delays and materially disrupt the conduct of its business.

Product Defects and Liability Claims

The Company is subject to proceedings and claims that may arise in the ordinary conduct of the business, which could include product and service warranty claims, which could be substantial. The Company's products are highly complex and sophisticated, and could contain design defects or software errors that are difficult to detect and correct. The Company provides product warranties. If its products fail to perform as warranted, and it fails to resolve product quality or performance issues in a timely manner, sales may be lost and it may be forced to pay damages. In addition, because its products are sold and marketed in different countries, the products must function in and meet the requirements of many different environments and be compatible with different systems.

Any failure to meet customer requirements could materially affect its business, operating results and financial condition.

The occurrence of product defects and the inability to correct errors could result in the delay or loss of market acceptance of its products, material warranty expense, diversion of engineering and other resources from its product development efforts, and the loss of credibility with its customers, manufacturer's representatives, distributors, value-added resellers, systems integrators, original equipment manufacturers and end-users, any of which could have a material adverse effect on the Company’s business, operating results and financial condition.

Substantial Capital Requirements

It is anticipated that the Company will make substantial capital expenditures in product development, marketing and ongoing operations. It may have limited ability to obtain the capital necessary to undertake or complete future research programs. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, operating results or prospects.

Additional Requirement for Capital

The Company is likely to remain cash flow negative for some time and there can be no certainty that the Company will achieve or sustain profitability or positive cash flow from its operating activities. The future of the Company is dependent upon its ability to raise the required funding. There is no assurance that additional financing will be available on terms acceptable to the Company. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future product development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Company's articles will not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to current Shareholders.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not anticipate that it will have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the communications industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Third Party Credit Risk

The Company may be exposed to third party credit risk through contractual arrangements with joint venture partners, distributors of its products and other parties. In the event such entities fail to meet their contractual obligations to the Company such failures could have a material adverse effect on the Company and its cash flow from operations. The Company takes every reasonable action to mitigate this risk including, when appropriate, seeking export insurance.

Income Taxes

The Company will file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation as well as the tax laws of such other countries as the Company may establish operations in; however, such returns are always subject to reassessment by the applicable taxation authority. A successful reassessment of the Company may have an impact on current and future taxes payable.

Governmental and Regulatory Requirements

Certain components of the Company's products may be subject to current or future regulation, including relating to environmental protection; for example, lead solder and wireless solutions. Regulatory agencies may make rulings or adopt new standards with which its solutions may need to be compliant. The timing and nature of these rulings or adoption of new standards may impact future sales to its customers, its ability to conform its solutions and/or to retain its market position. In addition, in the future, the Company may be required to comply with substance bans and product/component take-back requirements that would make the Company responsible for recycling and disposing of certain of its products/components that it has sold.

Rapid Technological Change

The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction by competitors of products embodying new technology and the emergence of new industry standards can render existing products obsolete and unmarketable and can exert price pressures on existing products. It is critical to the Company's success that it be able to anticipate and react quickly to changes in technology or in industry standards and successfully develop and introduce new, enhanced and competitive products on a timely basis.

The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The process of developing new technology is complex and uncertain, and, if the Company fails to accurately predict customers' changing needs and emerging technological trends, its business could be harmed. The Company must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Company may be required to invest significantly greater resources than currently anticipated in product development and enhancement efforts, and result in increased operating expenses.

Influence of Management

At December 15th, 2015, the directors and officers of the Company owned or controlled approximately 25.0% of the outstanding common shares of the Company. These shareholders have the ability to control or influence the outcome of most corporate actions requiring shareholder approval, including the election of directors of the Company and the approval of certain corporate transactions. The concentration of ownership of the Company may also have the effect of delaying or preventing a change in control of the Company.

Competition

The markets in which the Company competes are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages. These market factors represent a competitive threat. The Company competes with numerous vendors in each product category. The overall number of competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as activity increases in the advanced technology markets and market adjacencies. As the Company continues to expand globally, it may be subject to new competition in different geographic regions, in particular, from experienced, price-focused competitors in Asia, especially from China. It is anticipated this competition will continue in the future.

Some competitors compete across many of the same product lines, while others are primarily focused in a specific product area. Barriers to entry are relatively low, and new ventures to create products that do or could compete with the Company's products are regularly formed. In addition, some competitors may have greater resources, including technical and engineering resources. As the Company expands into new markets, it will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets. The Company will also sometimes face competition from resellers and distributors of its own products. Further, companies with whom the Company will have strategic alliances in some areas may be competitors in other areas.

Dividend Policy

Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs. There is currently no intention to pay dividends in the near term.

Conflicts of Interest

Certain of the directors and officers in the Company also serve as directors and/or officers of other companies involved in the telecommunications sector. To the extent that such other companies may participate in ventures which the Company may participate, there exists the possibility for such directors and officers to be in a position of conflict. Such directors and officers have duties and obligations under the laws of Canada to act honestly and in good faith with a view to the best interests of the Company and its shareholders. Accordingly, such directors and officers will declare and abstain from voting on any matter in which such director and/or officer may have a conflict of interest.

Resale of Shares

The continued operation of the Company will be dependent upon its ability to generate operating revenues. There can be no assurance that any such revenues can be generated. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the shares of the Company would be diminished.

Common Shares Outstanding

At December 15th, 2015, there were 127,137,729 common shares outstanding. There were 5,223,252 warrants issued with the prior quarter's units offering and 872,988 special warrants which were issued on debt arrangements outstanding which entitled holders to acquire the same number of common shares at an exercise price of $0.375 per share. A total of 9,359,772 options were outstanding which entitled the holders to acquire the same number of common shares at exercise prices from $0.05 to $0.50 per share; however, not all options were exercisable at that date due to vesting restrictions.