Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

Three months ended July 31, 2017 and July 31, 2016

(Unaudited)

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 month periods ended July 31, 2017 and July 31, 2016.

Edgewater Wireless Systems Inc.
Condensed Interim Consolidated Statements
(All amounts expressed in Canadian Dollars)
(Unaudited)

Condensed Interim Consolidated Statements of Financial Position

	July 31, 2017	April 30, 2017
Assets		
Current		
Cash and cash equivalents	**$ 537,494**	$ 69,785
Amounts receivable (note 4)	**294,377**	383,070
Inventories (note 5)	**190,865**	217,728
Prepaid expenses and deposits	**31,752**	33,280
	1,054,488	703,863
Property and equipment (note 6)	**26,269**	25,498
Intangible assets (note 7)	**136,367**	269,831
	$1,217,124	$ 999,192
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	**$1,193,007**	$ 1,401,879
Notes payable (note 9)	**206,169**	286,859
TOTAL Current liabilities	**1,399,176**	1,688,738
Long-term		
Notes payable (note 9)	**140,735**	153,867
Total liabilities	**1,539,911**	1,842,605
Shareholders' equity (deficiency)		
Share capital (note 12)	**30,414,685**	29,706,156
Warrants (note 12)	**2,171,226**	1,608,525
Contributed surplus (note 13)	**4,076,809**	3,915,528
Deficit	**(36,985,507)**	(36,073,622)
	(322,787)	(843,413
	$1,217,124	$ 999,192

Going concern (note 1(b))

Approved by the Board:

(Signed) "Brian C. Imrie", Director

(Signed) "J. Lewis Dillman", Director

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

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Three months ended July 31, 2017	Three months ended July 31, 2016
Revenues		
Products	$ 26,465	$ 2,187
Services	1,253	-
	27,718	2,187
Cost of Sales	(27,078)	(1,674)
Gross Margin	640	513
Expenses		
Sales and marketing	124,462	75,798
General and administrative	378,023	250,888
Product development	440,149	389,911
Operations	27,897	16,575
	970,531	733,172
Finance expense:		
Interest	7,515	9,799
Finance income	(124)	(718)
Foreign exchange	(65,397)	-
	(58,006)	(9,081)
Net loss and comprehensive loss	$(911,885)	$ (741,740)
Loss per common share		
Basic and diluted (note 14)	$(0.007)	$(0.006)
Weighted average number of common shares outstanding		
Basic and diluted	137,102,320	127,377,402

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

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital	Warrants	Contributed Surplus	Deficit	Total
Balance, April 30, 2016	$28,208,324	$ 323,945	$ 3,220,062	$(31,800,509)	$(48,178)
Share-based payments	-	-	68,270	-	68,270
Options exercised	3,475	-	(975)	-	2,500
Net Loss and comprehensive loss	-	-	-	(741,740)	(741,740)
Balance, July 31, 2016	$28,211,799	$ 323,945	$ 3,287,357	$(32,542,249)	$(719,148)
Balance, April 30, 2017	$29,706,156	$1,608,525	$3,915,528	$(36,073,622)	$(843,413)
Share-based payments	-	-	161,281	-	161,281
Shares and warrants issued	799,370	634,845	-	-	1,434,215
Share and warrant issue costs	(90,841)	(72,144)			(162,985)
Net loss and comprehensive loss for the period	-	-	-	(911,885)	(911,885)
Balance, July 31, 2017	**$30,414,685**	**$2,171,226**	**$4,076,809**	**$(36,985,507)**	**$(322,787)**

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

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Cash Flows

	Three months ended July 31, 2017	Three months ended July 31, 2016
Cash flows from operating activities		
Net loss	**$ (911,885)**	$ (741,740)
Items not affecting cash:		
Share-based payments	**161,281**	68,270
Amortization of intangible assets	**133,077**	133,077
Depreciation of property and equipment	**3,954**	3,075
	(613,573)	(537,318)
Changes in non-cash operating working capital items:		
Inventories	26,864	(16,706)
Other receivables	88,693	11,795
Prepaid expenses and deposits	1,528	2,947
Unrealized foreign exchange and translation adjustments	33,447	-
Accounts payable and accrued liabilities	(208,874)	22,080
	(125,236)	20,116
	(738,809)	(517,202)
Cash used in operating activities		
Cash flows from financing activities		
Issuance of Shares and Warrants	1,333,414	-
Share and warrant issue costs	62,186	-
Exercise of Options	-	2,500
Repayment of Notes Payable	(60,371)	(74,487)
Cash provided by financing activities	1,210,857	(71,987)
Cash flows from investing activities		
Acquisition of capital assets	(4,339)	(3,520)
Cash provided by investing activities	(4,339)	(3,520)
Increase (decrease) in cash	467,709	(592,709)
Cash and cash equivalents, beginning of period	69,785	717,967
Cash and cash equivalents, end of period	**$ 537,494**	$ 125,258

The accompanying notes are an integral part of these 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 408 Churchill Avenue North, Ottawa, Ontario, Canada. The Company was formerly known as KIK Polymers Inc. and adopted its current name in January 2012.

(b) Going concern

These condensed interim 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. During the three months ended July 31, 2017, the Company incurred a net loss of $911,885 and negative cash flow from operating activities of $738,809. In addition, the Company has negative working capital of $123,137 (July 31, 2016 a negative working capital of $1,111,037) and an accrued deficit of $36,985,507 (July 31, 2016, $32,542,249). 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 2 to 3 months. 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 complete 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, 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 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

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 ("IASB"). Condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended April 30, 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended April 30, 2017.

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, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended April 30, 2017.

New standards and interpretations in issue not yet adopted

The IASB has issued the following new and revised standards and amendments, which were not yet effective at April 30, 2017:

(i) IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to January 1, 2018 to accommodate the complexities of integrated service revenue and contract modifications which they had not previously addressed comprehensively. Earlier application of IFRS 15 continues to be permitted. The Company does not intend to adopt this standard in fiscal 2018 and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

The Company continues its implementation plan for IFRS 15. The project plan includes developing the necessary accounting policies, estimates and judgements required to adopt IFRS 15 as well as any changes required to business processes, systems and internal controls to implement the policies and disclosures required upon adoption of IFRS 15

(iii) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease termis 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 has also been applied. The Company does not intend to adopt this standard early. The Company is currently evaluating the impact of adopting this standard.

4. AMOUNTS RECEIVABLE

The composition of amounts receivable was as follows:

	July 31, 2017	April 30, 2017
Trade receivables (net)	**$36,660**	$171,099
Ontario Investment Tax Credit	**53,190**	53,190
HST receivable	**204,527**	158,781
	$294,377	$383,070

(Expressed in Canadian dollars)

5. INVENTORIES

The composition of inventories was as follows:

	July 31, 2017	April 30, 2017
Finished Goods - access points	**$ 174,291**	$ 202,452
Finished Goods - accessories	**15,708**	14,410
Raw materials	**866**	886
	$190,865	$ 217,728

6. PROPERTY AND EQUIPMENT

Cost	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2016	$ 166,409	$ 75,375	$ 10,799	$ 252,580
Additions	-	3,520	-	3,520
Balance at July 31, 2016	$ 166,409	$ 78,892	$ 10,799	$ 256,100
Balance at April 30, 2017	$ 166,409	$ 84,421	$ 10,799	$ 261,629
Additions	2,211	2,127	-	4,338
Balance at July 31, 2017	**$168,620**	**$86,548**	**$10,799**	**$265,967**

Accumulated Depreciation	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2016	$166,409	$47,276	$10,000	$223,685
Depreciation	-	2,774	73	2,847
Balance at July 31, 2016	$ 166,409	$ 50,050	$ 10,073	$ 226,532
Balance at April 30, 2017	**$166,409**	**$59,432**	**$10,290**	**$236,131**
Depreciation	61	3,434	72	3,567
Balance at July 31, 2017	**$ 166,470**	**$ 62,866**	**$ 10,362**	**$232,765**

Carrying Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
July 31, 2016	$ -	$ 28,842	$ 726	$ 29,568
July 31, 2017	2,150	23,682	437	26,269

(Expressed in Canadian dollars)

7. INTANGIBLE ASSETS

Cost	Patents	Computer software	Total
Balance at April 30, 2016	$9,137,626	$ 45,508	$9,183,134
Disposals during the period	-	-	-
Balance at July 31, 2016	$9,137,626	$ 45,508	$9,180,394
Balance at April 30, 2017	$9,137,626	$47,412	$9,185,038
Additions during the period	-	-	-
Balance at July 31, 2017	**$9,137,626**	**$ 47,712**	**$9,185,038**

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2016	$8,339,166	$ 42,768	$8,381,934
Amortization for the three month period	133,077	228	133,305
Balance at July 31, 2016	$ 8,472,243	$ 42,996	$8,515,239
Balance at April 30, 2017	$8,871,473	$43,734	$8,915,207
Amortization for the three month period	133,077	387	133,464
Balance at July 31, 2017	**$9,004,550**	**$ 44,121**	**$9,048,671**

Carrying Value	Patents	Computer Software	Total
July 31, 2016	$665,383	$ 2,512	$667,895
July 31, 2017	133,076	3,591	136,367

Amortization expense of $133,464 in the three months ended July 31, 2017 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.

(Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	July 31, 2017	April 30, 2017
Trade accounts payable and accruals	**$1,001,400**	$1,215,338
Accrued vacation pay	**67,486**	61,070
Accrued salaries and commissions	**98,470**	99,820
Deferred Revenue	**25,651**	25,651
	$1,193,007	$1,401,879

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.

9. NOTES PAYABLE

		31-Jul-17	30-Apr-17
Notes payable issued August 2015			
bearing interest at 6.0% per annum payable monthly, payable by monthly principal payments of $6,775 (USD 5,427), maturing July 2019	$	169,403	$207,437
Notes payable issued Sept 2015			
non-interest bearing, effective rate of 6.0% per annum, payable in one payment of $12,017 (Euro 8,502) followed by quarterly payments of $3,127 (Euro 2,125) maturing December 2017	$	12,017	$12,161
Note payable issued August 2015,			
non-interest bearing, effective rate of 6.0% per annum, payable by monthly principal payments of $13,154 (USD 10,536), maturing July 2018	$	165,484	$221,128
	$	346,904	$440,726
Less: current portion	$	206,169	$286,859
	$	140,735	$153,867

These notes payable are due as follows and have been valued in Canadian dolloars:

2018 (balance of Fiscal Year)	$	206,169
2019	$	120,407
2020	$	20,328
	$	346,904

(Expressed in Canadian dollars)

10. LEASES

The Company leases its current premises. The lease obligations by fiscal years are:

Fiscal year	
2018	$74,630
2019	$97,194

11. RELATED PARTY TRANSACTIONS

(a) Transactions with related entities

During the three months ended July 31, 2017, amounts totaling $Nil (three months ended July 31, 2016, $3,863) 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 has provided, on a part-time basis, the services of certain administrative and senior technical staff that the Company has not required on a full-time basis. ECSI also has sub-leased office and laboratory space to the Company. ECSI remains a significant shareholder of the Company. Included in accounts payable and accrued liabilities at July 31, 2017 was $24,627 (July 31, 2016 - $57,769) due to ECSI.

(b) Transactions with key management personnel

During the three months ended July 31, 2017, 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.

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

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

(b) Issued and outstanding shares

Common Shares	Number	Amount
Balance, April 30, 2016	127,354,395	$28,208,324
Options exercised	49,999	3,475
Balance, July 31, 2016	127,404,394	28,211,799
Balance, April 30, 2017	135,106,891	$29,706,156
Issued on private placement for cash	5,736,858	799,370
Share issue costs		(90,841)
Balance, July 31, 2017	**140,843,749**	**$ 30,414,685**

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

For the three months ending July 31, 2017 the Company raised $1,297,714 net of costs and finder fees through a private subscription of 5,736,858 units comprising one share and one-half warrant. These units had a deemed value of $ 0.25 per unit for a deemed expense of $162,986 which has been treated as Share Issue and Warrant Issue Expense and charged to the Share Capital and Warrant account. Each warrant entitles the holder to purchase an additions share in the common stock of the Company at the price of $0.375 per share until the end of June 2019.

(d) Warrants

Using the Black-Scholes option pricing model each one-half warrant was estimated to have a value of $0.1092 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, $634,845 of the proceeds was allocated to the warrants. Cash finders' fees and legal costs totaling $162,985 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.

(Expressed in Canadian dollars)

12. (d) Warrants (continued)

	Number	Amount	Price	Expiry date
Balance, April 30, 2016	6,096,240	$ 323,945		
Balance, July 31, 2016	6,096,240	$ 323,945		
Balance, April 30, 2017	15,798,318	$ 1,608,525		
Issued on private placement	2,868,429	634,845	$0.375	June 30, 2019
Issue costs		(72,144)		
Balance, July 31, 2017	**18,666,747**	**$2,171,226**		

(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 July 31, 2017 and changes during the three month ending on July 31, 2017 were as follows.

	Options outstanding	Weighted average exercise price	Years to expiry	Options exercisable	Weighted average exercise price	Years to expiry
Balance, April 30, 2016	11,683,106	$0.1872	4.47	6,083,100	$0.2183	4.36
Granted	-	-	-	-	-	-
Vested, granted previously				-	-	-
Exercised	(49,999)	0.050		(49,999)	0.050	8.38
Balance, July 31, 2016	11,633,107	$0.1877	6.31	6,033,101	0.2197	4.05
Balance, April 30, 2017	11,325,001	$0.1823	8.27	6,124,980	$0.1409	7.75
Granted	-	-	-	-	-	-
Vested, previously granted	-	-	-	-	-	-
				-	-	-
Exercised	-	-	-	-	-	-
Balance, July 31, 2017	**11,325,001**	**$0.1823**	**8.27**	**6,124,980**	**$0.1409**	**7.75**

(Expressed in Canadian dollars)

(e) Stock Options (continued)

The following table summarizes information about stock options outstanding at July 31, 2017.

Options outstanding			Options Exercisable	
Exercise price	Number outstanding July 31/17	Weighted average remaining life	Number exercisable July 31/17	Exercise price
$0.0500	4,000,001	7.38	2,683,327	$0.0500
0.1000	1,430,000	5.76	1,430,000	0.1000
0.2500	70,000	4.82	70,000	0.2500
0.2500	2,540,000	8.38	846,661	0.2700
0.3100	3,285,000	9.55	1,094,992	0.3100
	11,325,001	8.01	6,124,980	$0.1409

13. CONTRIBUTED SURPLUS

Balance, April 30, 2016	$ 3,220,062
Exercise of options	(975)
Stock base compensation expense	68,270
Balance, July 31, 2016	$ 3,287,357
Balance, April 30, 2017	$ 3,915,528
Stock base compensation expense	161,281
Balance, July 31, 2017	**$ 4,076,809**

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 11,325,001 stock options and 18,666,747 warrants outstanding at July 31, 2017 could potentially dilute future earnings per share calculations.

(Expressed in Canadian dollars)

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 $0.1 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.

	Three months ended July 31, 2017
Compensation, Employees and Directors	$358,249
Depreciation and Amortization	137,031
Consulting Fees	299,312
Materials	8,040
Travel	33,850
Professional, legal and regulatory fees	37,170

17. OPERATING SEGMENTS

The company derives all of its revenue from a single product segment being wireless access points and associated peripheral equipment and services. The Company derives its revenues globally and 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.

The Company's revenues are derived from the following regions.

	Three months ended July 31, 2017	**Three months ended** July 31, 2016
Asia	$ -	$ -
Europe	21,476	-
North America	6,242	2,187
	$ 27,718	$ 2,187

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. Depending on the level of materiality, 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%.

(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 July 31, 2017, the Company had cash of $537,494 to settle current liabilities of $1,353,430. The majority of the Company's 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 July 31, 2017.

17. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of expenses are transacted in Canadian dollars while all revenues were denominated in US dollars. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk. At July 31, 2017 the Company had the following significant balances denominated in foreign currency: trade receivables (net of allowances), US$26,234 and; accounts payable and notes payable, US$668,962. A change in the Canadian dollar by 1 cent impacts by the converted US payable by approximately $6,500.

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.