EDGEWATER WIRELESS SYSTEMS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL QUARTER JANUARY 31, 2018

(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 audited consolidated financial statements and related notes for the quarter ended January 31, 2018. The interim consolidated financial statements for the quarter ended January 31, 2018 have been 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 March 27th, 2018. 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" or "Edgewater") 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 a development stage company. The Company's shares trade on the TSX Venture Exchange under the symbol YFI and on the OTC QB under the symbol KPIFF.

The Company's head office is 408 Churchill Avenue North, Ottawa, Ontario, Canada and the Company maintains a presence in the USA and Europe, Middle East and Africa ("EMEA") regions and is developing sales and distribution capability through partners in Central and South America, Australia, South East Asia and India.

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 lines are high-performance silicon solutions, known as WiFi3™, and aera™ WiFi solutions, a suite of multi-channel WiFi access point solutions, which target high density WiFi applications in the growing Telco, CableCo ("MSO"), large enterprise and the Internet of Things ("IoT") markets.

The Company's products make every WiFi experience better in high-density and ultra-high-density networks where traditional, single channel WiFi fails. We offer highly differentiated wireless solutions and technology solving three key issues – **Capacity, Density and Interference** – which dominate wireless network performance and cost network operators and equipment vendors Millions of dollars annually in service and support calls.

Due to the project nature of the large-scale network deployments of high-density WiFi solutions and silicon level integration by OEM and Licensing 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. Large scale, high-density WiFi deployments can take months to specify, tender and negotiate. Once a tender is accepted, it may take months for the "build out" to occur.

Management anticipates Revenue and Gross Margin will fluctuate during the course of large projects, as the mix of Company products, services and third-party equipment changes during project implementation.

Market Opportunity

Driven by the growing proliferation of data hungry devices such as smart phones, tablets, laptops and watches, the $33 billion global WiFi market[1] continues to shift toward higher user density. With the average North American user having over 3.64 WiFi enabled devices[2], services providers such as telcos, cable operators, large enterprises, and stadium and convention centre operators, are struggling to deliver WiFi networks capable of supporting demanding applications such as VoIP, HD video and data hungry apps such as SnapChat, YouTube,

[1] Source: http://www.marketsandmarkets.com/PressReleases/global-WiFi.asp
[2] Source: http://blog.globalwebindex.net/chart-of-the-day/digital-consumers-own-3-64-connected -devises/

Facebook, and Netflix. According to technology industry publication Heavy Reading, there are roughly 17 million WiFi hotspots deployed by the US cable industry alone[3]. These WiFi hotspots, deployed alongside countless other un-coordinated hotspots has led to massive interference problems – compounding the capacity issues.

Adding to the demand facing WiFi networks, the growing trend toward the IoT, where common household and office devices are being connected wirelessly, we believe the high-density and interference problems will continue to plague wireless networks for years.

Competitively speaking, the global WiFi access point industry has been faced with a growing number of consolidations with the recent acquisitions of Aruba Networks by HP and the re-acquisition of Ruckus Wireless by Arris International PLC. We have learned most traditional WiFi vendors rely on what is essentially the same single-channel based architecture and reference design which has led to a lack of differentiation between vendors and a common weakness in addressing capacity and interference issues[4].

In recent weeks, the trend toward consolidation in the industry has extended to include semiconductor manufacturers with the now terminated overture by Broadcom Ltd. (NASDAQ: AVGO) to acquire Qualcomm Inc. (NASDAQ: QCOM), followed by interest from Intel in acquiring Broadcom..

Discussion of Operating Results

We are bringing a highly disruptive technology innovation to market and our strategy, similar to many emerging technology companies, can be distilled down to three key elements: **invent it, prove it and scale it**.

Invent it

With our patented ultra-wideband multi-channel WiFi chipsets, radio cards and access points, or WiFi3™, we invented a new approach to WiFi – an approach based on proven standards, applied in an innovative, and patented, way. Based on a detailed understanding of the WiFi standards and the FCC regulations, we developed a theory for the application of WiFi3™ in high-density applications.

Prove it

In early 2016, we pivoted the company to target high-density WiFi applications and embarked on a journey to prove our theory using a real-world demonstration of multi-channel vs single channel architectures.

In a growing, but homogeneous market, where incumbent vendors have all followed the same architecture, proving the technology meant educating each prospective customer as to both the problem and the solution. The problem of interference typically caused by adding capacity using more access points. And our solution designed specifically to add capacity while mitigating interference.

This process of constant education evolved through our work with CableLabs – the non-profit innovation and R&D organization founded by members of the $500B cable television industry. CableLabs is tasked with driving innovation throughout the cable industry. CableLabs and their members who include Rogers Communications (TSX:RCI), Shaw Communications (TSX:SJR), Comcast (NASDAQ: CMCSA), Mediacom Communications and others, very clearly understand the shortcomings of traditional approaches to WiFi and were searching for solutions.

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[3] Source: http://www.lightreading.com/cable/cable-wi-fi/us-cable-wifi-hotspots-near-17-million/d/d-id/724584
[4] Source: https://wikidevi.com/wiki/List_of_802.11ac_Hardware

In late 2016, Edgewater Wireless engaged with CableLabs through their accelerator program, UpRamp Fiterator. Although the engagement required the focused efforts of our team, the results have exceeded our expectations. At the start of engagement, most cable operators did not know who we were, let alone what our technology, WiFi3™, could do for them. A short 12-months later, our small team is adding to a growing list of engagements – 8 at last count – ranging from tier one operators to the smaller regional tier 3's.

With the support of CableLabs and UpRamp and each of our growing list of cable company engagements, we're building proof points in a growing number of market applications for WiFI where traditional single channel WiFi struggles to perform. Our strategy in the cable industry, and beyond, is to demonstrate that WiFi3 provides relief from the challenges associated with high-density or high-interference deployments in multiple market verticals such as; entertainment venues, hospitality venues, campuses and more. For context, in consumer WiFi alone, it is expected that the average household will see an explosion to an average of 50 connected devices by 2020[5] Building the proof points that put us at forefront to solve challenges associated with the exponential growth in wireless devices.

While we've been "proving it" in the cable space, we're growing our distribution channels with folks like 2PLUS and Optima for our High-Density WiFi solutions business unit and continuing to work with our OEM and Licensing partners including our Top 5 Retailer / F500 who are integrating our WiFi[3] into their products.

If traditional WiFi solved all the issues, we simply wouldn't be seeing the interest from the cable industry and would not have captured the attention of the fifth largest cable operator, Mediacom, or have secured a pilot in a name-brand NYC venue.

Scale it

Over the upcoming months, we'll be continuing to "prove it", expanding on the market verticals where traditional WiFi struggles to perform – from venues, to hospitality, to the retail space and a growing number of verticals. The more proof points we establish the more mind-share we capture with prospects as we enter the next phase of the company – "scale it".

Results and Accomplishments for the quarter

In the reporting period of Q3'2018, we started to see the results of our focused efforts to grow the Company and build awareness of WiFi3™ within specific target markets. Highlights of the results and accomplishments for the quarter are as follows:

Results:

- Backlog: over the reporting period, order backlog increased by 15 time from 31 OCT 17 from $77,000 to $1,173,447. The increase in backlog is due to the purchase order issued late in the reporting period and the largest backlog to date.
- SMTC Warrant exercise following the end of the period increased cash by $62,524 and reduced the current and long-term portion of our Notes Payable by $252,476, eliminating the related Notes Payable. SMTC

[5] http://cio.economictimes.indiatimes.com/news/internet-of-things/households-have-10-connected-devices-now-will-rise-to-50-by-2020/53765773

provides contract manufacturing services to the Company. During the period, other Warrant Holders exercised their right to acquire 722,676 at strike prices of $0.375 and $0.50 for net proceeds of $282,779.

Accomplishments:

- In the reporting period, we announced our collaboration with the Kroger Co. (NYSE: KR), the largest operator of supermarkets in the USA, to enhance its in-store infrastructure with a next generation WiFi platform, powered by our WiFi3™ technology. An innovative retailer, Kroger is transforming its business using advance technologies to create a more seamless shopping experience for its customers. Kroger's customer first approach has driven several award-winning in-house innovations: QueVision, to speed up check out wait times; EDGE, a digitally enhanced, WiFi shelf; and FAST (Food at Safe Temperature), an IoT sensor technology which monitors temperatures to ensure continuous and safe food handling. These technologies and others will be enhanced by the WiFi3™ powered next generation platform to continue giving customers an industry-leading shopping experience. Our WiFi3™ powered radio card modules help Kroger deliver the high-density WiFi required to support multiple revenue generating services today and in in the future.
- In the reporting period, we received $1.1M in orders for WiFi3™ powered radio cards to power next generation smart retail solutions. The sale is a major milestone for the company, bringing WiFi3™ to the retail market as we secure our first production order from our Fortune 50 customer in our OEM (Original Equipment Manufacturer) business unit and we look to fulfill over the next 6-12 months in alignment with the customer's roll-out schedule.
- Entering the reporting period, we completed a fully subscribed non-brokered private placement for 2,122,100 units at $0.25 per unit for gross proceeds of $530,525. Each Unit consisted of one common share of the Company and one-half of one non-transferable warrant at $0.375 per share for a period of 2-years following the closing of the Offering. Participation in the financing included Board of Directors members and long-term shareholders.
- In December 2017, we followed with a fully subscribed, non-brokered private placement for 1,666,666 units at a price of $0.60 per unit, for gross proceeds of $1,000,000. Each unit consisted of one common share plus one non-transferable share purchase warrant. Each Warrant entitles the holder to acquire one additional common share of the Company at $0.75 for a period of 2-years following the closing date of the Offering.
- In November 2017, we received FCC certification for our innovative multi-channel 2.4 GHz multi-channel, single radio WiFi module. Our power-optimized WiFi3™ module is designed for easy integration into OEM customers' products targeting high-density and ultra-high density WiFi applications and optimizes spectrum usage to deliver the highest quality of service.
- In December 2017, we announced our innovative Multi-Channel Single-Radio (MCSR) 6-channel access points were being installed to deliver WiFi service to the Valhalla Electronic Music Parade (http://www.valhallafestival .nl/), one of the largest international music festivals in Europe with over 50,000 attendees. The Valhalla music festival was an excellent use case for high-density and ultra-high density WiFi with its thousands of users. Our 6-channel, aera.io access points performed well – resulting in fewer access points deployed and better performance.

Innovation and technology partnerships:

- Enhancing our multi-channel WiFi products with world class innovation partnerships, we partnered with Galgus Inc. in November 2017, to build the world's first WiFi3™ solution with Ultra-intelligent Cognitive Hotspot (CHT) technology for high-density WiFi applications. Our aera.io access point solutions and our OEM customers will benefit from having CHT on-board to help optimize WiFi spectrum, increase performance and further reduce the impacts of interference. Technology partnerships with innovative software developers build on WiFi3™'s highly innovative silicon hardware and further enhance features and functionality for our customers.

- In November 2017, we announced that in collaboration with Galtronics, a subsidiary of Baylin Technologies (TSX: BYL), we completed production of the world's first antenna solution designed specifically for multi-channel WiFi products. The innovative antennas are designed to work within our aera.io product line and / or for use as a reference design by our WiFi3™ radio card and silicon solutions OEM partners. Partnering with innovative companies like Galtronics helps to strengthen our aera.io product portfolio and helps our OEM customers scale more rapidly.

Corporate development:

- During the reporting period, we secured an invitation to present at the 10th Annual LD Micro Main Event, a sought after 'small cap' conference. Tragically, wildfires in Los Angeles displaced hundreds and forced the cancellation of the event.
- In December 2017, we began the process of listing our common shares on the OTCQB (a USA listing) in response to growing demand from USA based investors. The process was completed on February 6, 2018 when we receive clearance to trade as (OTCQB: KPIFF) in addition to our TSXV: YFI listing.
- In January 2018, through our relationship with CableLabs UpRamp, we were selected to attend the Global Corporate Venturing Summit (GCVI). GCVI brought together over 500 business leaders from the corporate venturing and innovation ecosystem for a two-day event spotlighting corporate venturing and a select few companies such as Edgewater. We continue to see strong advocacy from our friends at CableLabs UpRamp and look forward to continuing to work with them in the future.
- Echelon put EWSI on their Watch List and, outside the reporting period, initiated full coverage

Press and industry analyst coverage increased during the period following the announcement with Kroger Co, highlights are as follows:

- **The Shelby Report**: Kroger Working With Edgewater Wireless To Power Smart Retail Tech
- **Retail Leader Magazine**: How Kroger plans to upgrade the in-store experience
- **InStore Magazine**: Kroger rolls out new WiFi, customer experience platform
- **Retail Info Systems**: Best of NRF Top 10 Takeaways
- **OBJ**: Ottawa firm Edgewater provides in-store Wi-Fi for Kroger's smart shopping apps

Outside the reporting period, we continued our efforts to strengthen the company and position ourselves for future growth with the following:

- In February 2018, we established the Technology Advisory Panel to be chaired by our founder, Duane Anderson. The Company intends to grow its advisory panel over the next 12 months.
- Following our Annual General Meeting (AGM) in February, we strengthened our Board of Directors with the addition of new directors including Steve Andrews. Steve has over 25-years as an executive in the communications industry, spending the greater part of his career to date with British Telecom (BT) and is also a Board Advisor to the Wireless Broadband Alliance (WBA) which formulates industry strategies for WiFi and related technologies. *We're excited to have Steve as part of our team.*
- In February 2018, the TSX Venture Exchange announced Edgewater Wireless has been included as in the 2018 Venture 50 annual ranking of top performing companies from the Technology sector.

Our Vision is to Make WiFi Better.

While Edgewater Wireless could follow the traditional, single-channel radio architecture or 'single-lane road' approach taken by the likes of Qualcomm, Broadcom etc., we're innovating for the wireless future – where the exponential growth in connected devices continues to overburden the single lane roads.

Our path is to solve the next generation of WiFi where the limits of traditional WiFi architecture and the physical science of limited spectrum is already reaching its breaking point. Our opportunity is to solve the issues facing WiFi today, and the over years to come.

Together, with the support of our investors, our customers and our entire team, we will achieve success by building and innovating around our highly differentiated technology: WiFi3.

WiFi3 is innovative, it is disruptive and *WiFi3™ is the future of WiFi.*

Review of 3rd Quarter Results period ended January 31, 2018 compared to the quarter ended January 31, 2017.

The Company recorded a net loss of $925,896 for quarter ending January 31, 2018 as compared to a net loss of $853,329 for quarter ending January 31, 2017. The increase in the loss of $72,567 is attributable to the following:

Revenue in the third quarter of FY2018 was $23,559 as compared the third quarter in FY 2017 of $81,869, a decrease of $58,310. Gross margins for the same time period were $20,229 and $48,545 respectively.

Sales and marketing expenses increased to $336,639 in the third quarter of FY 2018 as compared to $98,063 in FY 2017. Much of the increase in sales and marketing expense can be attributed to preparing to be called to trade on the OTCQB which was scheduled to coincide with the announcement of developments in our relationship with The Kroger Co. In anticipation of this, the Company engaged a marketing specialist to assist our team with the identification of communication channels to use for building awareness in the US market to achieve maximum impact for modest expenditures.

General and administrative expenses in the third quarter of FY 2018 rose to $351,383 from $317,061 in third quarter FY 2017. This represents an increase of $34,322. From a resource perspective salaries and consulting services increased in the third quarter of FY 2018 to $108,635 from $104,857 in Q3/FY17. Travel cost in the quarter were $28,207 compared to $36,631 in Q3/FY17. Stock compensation in the third quarter was $158,284, a $91,646 increase from Q3/FY17 expense of $66,638. Stock compensation is a non-cash related expense.

Product development expenses in the third quarter FY 2018 were $247,222 as compared to $476,870 in Q3/FY 2017, a decrease of $229,648. Amortization expenses accounted for $3,764 and $135,969 respectively with the decrease of $133,077 due to value of the intellectual property has been fully amortized.

The additional staffing which took place in FY2017 has increased total salaries in the third quarter of FY 2018 to $116,216 from $51,200 in the Q3/FY 2017. Material expenses decreased in the third quarter by $6,870 to $8,957 from $15,827 in Q3/FY2017.

Operations expenses grew in the third quarter of FY2018 to $25,837 from $19,609 for Q3/FY2017. Rent expenses account for the majority of the expense in operations.

Finance expenses decreased from the same period last year to $2,257 in Q3/FY 2018 as compared to $7,333 in Q3/FY 2017. The interest expense is a result of notes payable holding an interest rate of 6% or an implied rate of 6% for the non-interest bearing note. In the second quarter the Canadian dollar strengthen in comparison to the US dollar resulting in an unrealized foreign exchange gain of $19,810. Year-to-date the Company has recognized an overall gain on the exchange rate in the amount of $82,072.

The Company is likely to continue to do business with US customers and suppliers and foreign exchange adjustments will be required in future periods. Depending on fluctuations in the exchange rate between the

Canadian and the American dollars, we cannot predict whether the foreign exchange adjustments will be favourable or unfavourable.

Common Shares Outstanding

At January 31, 2018, there were 145,842,524 common shares issued and outstanding.

At January 31, 2018, a total of 10,885,001 stock options were outstanding which entitle the holders to acquire the same number of common shares at exercise prices from $0.05 to $0.31 per share. As at January 31, 2018 6,124,980 options were exercisable.

In addition, there are 20,801,787 warrants outstanding with 16,132,245 warrants having a strike price of $0.375, 2,926,876 having a strike price of $0.50 and the remainder of 1,742,666 having a strike price of $0.75. There are 5,223,252 maturing July 14, 2018, which have an accelerated exercise provision when the daily volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange (or such other stock exchange where the majority of the trading volume occurs) exceeds $0.45 on each of the preceding 15 consecutive days.

There were 872,988 special warrants related to obligations which had arising in much earlier periods. The terms of these warrants matched the term of the Notes Payable and were subject to forced exercise if certain conditions are met. Following the close of the period, one of the warrant holders upon learning the call provisions had been met, elected to exercise all 840,000 warrants held at a strike price of $0.375. In addition to the Company receiving cash consideration of $62,524.46, the balance owing on their Notes Payable totalling $252,475.54 was extinguished. This left a balance of 32,988 of these special warrants outstanding.

Included in the outstanding warrants are 3,021,076 warrants were issued in relation to the UpRamp Fiterator program. These warrants have a strike price of $0.375 per common share and a term of 4 years maturing in September 2020.

Summary of Quarterly Results
(***Amounts are presented in thousands of Canadian dollars except loss per share figures***)

Quarter ended	**Jan 31/18**	**Oct 31/17**	**July 31/17**	**April 30/17**	**Jan 31/17**	**Oct 31/16**	**July 31/16**	**April 30/16**
Revenues	$23.6	$21.9	$27.7	$138.8	$81.9	$50.5	$2.1	$0.1
Revenue percentage increase (decrease) relative to preceding quarter	7.7%	(21%)	(80%)	69.5%	62.2%	2,400%	2,100%	(94.1%)
Gross margin	$20.2	$2.0	$0.6	$2.7	$48.5	$19.8	0.5	(4.3)
- *as a percentage*	*85.6%*	*9.1%*	*2.2%*	*1.9%*	*59.2%*	*39.2%*	*23.8%*	*(4,400%)*
Net Loss	$(925,896)	$(1,120.6)	$(911.9)	$(1,531.8)	$(853.3)	$(1,146.4)	$(741.7)	$(633.0)
Loss per share -basic and diluted	$(0.006)	$(0.008)	$(0.007)	$(0.011)	$(0.006)	$(0.014)	$(0.01)	$(0.00)

(IN CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Weighted Average number of common shares outstanding	143,879,137	140,843,749	137,102,320	135,079,924	134,720,840	131,693,168	127,377,402	127,161,062

Q3 2018 Highlights:

- For the reporting period of Q3 2018, the Company continued to execute on its shift to full scale production readiness.
- As a result of deployments in a variety of trials with Cable Companies, to whom we were introduced through Cable Labs and our participation in the UpRamp program, Quarter over Quarter inventory was reduced marginally from 181,247 to 172,415.
- The Q3 2018 revenue of $23,559 was a decrease from the sales of $81,869 in Q3 2017. Our push during the quarter was to finalize the requirements, software and commercial terms for the Kroger transaction. One of these required a services module which produced a higher gross margin during the quarter than we can expect on a longer-term basis.
- Our backlog grew during and immediately after the reporting period to CAD $ 1,173,447 at the current prevailing exchange rate with confirmation of the Kroger order. Most of our orders are received in USD
- Management has previously noted that as a development stage company, our revenue can be expected to fluctuate both in terms of magnitude and timing.
- Management and our senior sales and marketing staff continue to invest in business development activities. This is demonstrated by the increase in expenses for sales and marketing to $339,639 during the quarter from $98,063 during the year earlier period. Much of this increase can be attributed to building our profile in the US market in advance of the Kroger order and our listing on the OTC QB.
- Gross margin in 2018 Q3 was $20,229 or 85.6%. The margin is attributed to services revenue as noted above.
- Net loss of $925,896 in Q3/FY 2018, an increase of $72,567 over the same period last year of $853.329.
- Foreign exchange gains during the quarter amounted to $19,810 compared to $15,700 for Q3 2017. The Canadian dollar continues to fluctuate widely over a year an impacts the Company's due to the large amounts of US payables.

<u>Related party transactions</u>

Transactions with related entities

During the quarter ended January 31, 2018, amounts totaling $Nil (Jan. 31, 2017 - $50,002) were billed to the Company by 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. All services billed by ECSI reflect fair market rates. ECSI is a shareholder of the Company. Included in accounts payable and accrued liabilities at January 31, 2018 was $24,373 due to ECSI (January 31, 2017 - $30,627).

As at March 27th, 2018, ECSI held directly 7,197,601 common shares of the Company or approximately 4.97% of the issued and outstanding.

Mr. Duane L. Anderson, founder of EWSI, and a principal of ECSI controlled a further 5.43 % of the issued and outstanding as at March 24th, boosting their combined holdings to 10.4%.

Transactions with key management personnel

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 quarter ended January 31, 2018, the Company incurred a net loss of $925,896 and negative cash flow from operating activities of $1,291,475. There are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern because the continuation of the Company's operations, including product development and marketing activities is dependent upon the Company's ability to fund its working capital requirements through either debt or equity financing. This risk has been partially mitigated by our continued success in completing non-brokered private placements.

For the quarter ending January 31, 2018 the Company completed two non-brokered private placements issuing 2,200,100 units for $0.25 per unit comprising one common share and one half of one share purchase warrant which combined with a second half share purchase warrant would entitle the holder to acquire one common share at a strike price of $0.375 and 1,742,666 units at $0.60 per unit comprising one common share and one share purchase warrant with a strike price of $0.75 for combined gross proceeds of $1,530,525. Each warrant has a two-year life, expiring in November and December 2019 respectively. Most of the units issued are subject to a four month plus 1 day hold period. In addition, 722,676 warrants from earlier non-brokered private placements were converted for net proceeds of $282,779 during the third quarter.

It takes significant capital to bring product to market and to successfully execute on our sales plan but we are prudent in managing expenses to preserve cash while continuing to pursue additional financing.

Management manages its cash consumption while pursuing strategic initiatives for building the business and pursuing additional financing. However, there can be no assurance that the Company will be able to generate sufficient product sales or secure the necessary financing to meet continuing needs, or if the financing 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 sufficient product sales, the Company will have to consider additional strategic alternatives which may include, among other strategies, cost curtailments, the monetization of intangible assets, or seeking to out-license and/or divest assets. As a result, there is 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 become due. Additionally, the issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders.

Changes in Accounting Standards

At the date of approval of the accompanying consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. These standards will be adopted at the effective date.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's consolidated financial statements.

<u>Amendments to IAS 7: Disclosure Initiative: Statement of Cash Flows ("IAS 7")</u>

In January 2016 the IASB issued amendments to IAS 7). These amendments require entities to provide disclosures that help users of the financial statements to better understand changes in liabilities that arise from financing activities, including both changes arising from cash flows and non-cash charges. These amendments became effective for periods beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on these condensed consolidated financial statements.

<u>IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses</u>

In January 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments became effective for annual period beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

Changes to standards and interpretations

IFRS 9, "Financial Instruments"

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on May 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15, “Revenue from Contracts with Customers”

The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on May 1, 2018.

IFRS 16: Leases

In January 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on May 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

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 countries on the African continent and South America, 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. The Company is dealing primarily with countries that have demonstrated a high degree of stability and, in all cases, better than typical economic strength.

Competition and competing technologies lead to competitive risks as new technologies and products are developed. Management recognizes the need to invest in research and 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 to 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 experience managing obsolescence issues. The Company also 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 may only be 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. The prudent 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. The Company has implemented a stock 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 the Export Development Corporation whenever possible. During the fiscal year ended April 30, 2017, the Company applied for and secured export credit risk insurance for sales being made to those countries where it currently considers sales to most likely occur.

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 key sales personnel in one of the Company's foreign offices 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 rise 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 will 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 the Company 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, where 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 March 27th, 2018, the directors, officers and key advisors of the Company owned or controlled approximately 12.4 % of the outstanding common shares of the Company. These shareholders have the ability to significantly 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

Currently some of the directors and officers of 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.