



Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended January 31, 2018 and January 31, 2017

(Unaudited)

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(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 and nine month periods January 31, 2018 and January 31, 2017.

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statements of Financial Position

	January 31, 2018	April 30, 2017
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 538,896	\$ 69,785
Amounts receivable (note 5)	398,716	383,070
Inventories (note 6)	172,415	217,728
Prepaid expenses and deposits	87,784	33,280
	1,197,811	703,863
Property and equipment (note 7)	22,900	25,498
Intangible assets (note 8)	2,516	269,831
	\$ 1,223,227	\$ 999,192
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	\$1,204,910	\$ 1,401,879
Note payable (note 11)	122,255	286,859
TOTAL Current liabilities	1,327,165	1,688,738
Long-term		
Notes payable (note 11)	138,571	153,867
Total liabilities	1,465,736	1,842,605
Shareholders' equity (deficiency)		
Share capital (note 13)	31,870,919	29,706,156
Warrants (note 13)	2,580,138	1,608,525
Contributed surplus (note 14)	4,338,448	3,915,528
Deficit	(39,032,014)	(36,073,622)
	(242,509)	(843,413)
	\$1,223,227	\$ 999,192

Going concern (note 1(b))**Approved by the Board:****(Signed) "Brian C. Imrie"**, Director**(Signed) "Lew Dillman"**, Director**The accompanying notes are an integral part of these financial statements.**

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Nine months ended		Three months ended	
	January 31,		January 31,	
	2018	2017	2018	2017
Revenues				
Products	\$ 37,705	\$ 93,210	\$ -	\$ 46,665
Services	35,474	41,304	23,559	35,204
	73,179	134,514	23,559	81,869
Cost of Sales	(50,264)	(65,644)	(3,330)	(33,324)
Gross Margin	22,915	68,870	20,229	48,545
Expenses				
Sales and marketing	740,503	225,557	339,639	98,063
General and administrative	1,087,201	1,095,630	351,383	317,061
Product development	1,142,261	1,344,858	247,222	476,870
Operations	80,227	67,868	25,837	21,304
	3,050,192	2,733,913	964,081	913,298
Finance expense:				
Interest	13,889	22,679	2,257	7,333
Finance income	(702)	(6,644)	(403)	(3,057)
Foreign exchange	(82,072)	57,914	(19,810)	(15,700)
	(68,885)	73,949	(17,956)	(11,424)
Net loss and comprehensive loss	\$(2,958,392)	\$(2,738,992)	\$(925,896)	\$ (853,329)
Loss per common share				
Basic and diluted (note 14)	\$(0.021)	\$(0.021)	\$(0.006)	\$(0.006)
Weighted average number of common shares outstanding				
Basic and diluted	140,608,401	131,263,804	143,879,134	134,720,840

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

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

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	-	-	199,046	-	199,046
Share and warrants issued	1,469,184	1,203,216	-	-	2,672,400
Options Exercised	197,767	-	(73,227)	-	124,540
Warrants issued (special)	-	241,686	-	-	241,686
Share and warrant issue costs	(231,327)	(124,755)	-	-	(356,082)
Net Loss and comprehensive loss	-	-	-	(2,738,993)	(2,738,993)
Balance, January 31, 2017	\$29,643,948	\$ 1,644,092	\$ 3,345,881	\$(34,539,502)	\$94,419
Balance, April 30, 2017	\$29,706,156	\$1,608,525	\$3,915,528	\$(36,073,622)	\$ (843,413)
Share-based payments	-	-	480,846	-	480,846
Shares and warrants issued	1,791,819	1,238,650	-	-	3,029,839
Share and warrant issue costs	(167,331)	(130,337)	-	-	(297,668)
Options exercised	121,426	-	(57,926)	-	63,500
Warrants exercised	419,479	(136,700)	-	-	282,779
Net loss and comprehensive loss for the period	-	-	-	(2,958,392)	(2,958,392)
Balance, January 31, 2018	\$31,805,819	\$2,580,138	\$4,338,448	\$(39,032,014)	\$ (242,509)

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

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended January 31,		Three months ended January 31,	
	2018	2017	2018	2017
Cash flows from operating activities				
Net loss	\$(2,948,109)	\$(2,738,993)	\$(915,616)	\$(853,329)
Items not affecting cash:				
Share-based payments	480,846	199,046	158,284	66,638
Amortization of intangible assets	266,153	399,915	-	89,402
Depreciation of property and equipment	13,269	9,080	4,625	2,734
	(2,187,841)	(2,130,952)	(752,707)	(694,555)
Changes in non-cash operating working capital items:				
Inventories	45,314	(238,837)	8,832	(179,662)
Other receivables	(25,929)	(92,531)	(58,590)	34,380
Prepaid expenses and deposits	(54,504)	(50,963)	(64,227)	(66,027)
Accounts payable and accrued Liabilities	(196,969)	(16,900)	(424,783)	64,616
	(232,088)	(399,231)	(538,768)	(146,693)
Cash used in operating activities	(2,419,929)	(2,530,183)	(1,291,475)	(841,248)
Cash flows from financing activities				
Issuance of shares and warrants	2,449,399	1,639,485	1,338,098	33,668
Share issue costs	(167,331)	(277,087)	(76,491)	-
Issuance of warrants	926,719	1,203,216	603,805	-
Warrant Issue arrangement	-	241,686	-	-
Warrant Issue costs	(130,337)	(124,755)	(58,192)	-
Issuance of note payable – current	(164,604)	14,498	(23,997)	21,370
Issuance of note payable – long-term	(15,296)	(174,452)	(6,763)	(97,543)
Cash provided by financing activities	2,898,550	2,522,590	1,776,460	(42,505)
Cash flows from investing activities				
Sale (Purchase) of equipment	(9,510)	(6,180)	-	(2,660)
Cash provided by investing activities	(9,510)	(6,180)	-	(2,660)
Increase (decrease) in cash	469,111	(13,774)	484,985	(886,413)
Cash and cash equivalents, beginning of period	69,785	717,967	53,911	1,590,606
Cash and cash equivalents, end of period	\$ 538,896	\$ 704,193	\$ 538,896	\$ 704,193

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

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

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 Unit 2, 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 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 nine months ended January 31, 2018, the Company incurred a net loss of \$2,958,392 and negative cash flow from operating activities of \$2,419,929. In addition, the Company has negative working capital of \$129,354 (January 31, 2017 negative working capital of \$123,137) and an accrued deficit of \$39,032,014 (January 31, 2017, \$34,539,502). 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 4 to 6 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 resume its planned expenditures with minimal interruption; however, there can be no assurance that the capital will be available as necessary to meet these continuing expenditures or, if the capital is available, that it will be on terms acceptable to the Company. If the Company cannot secure additional financing on terms acceptable to it or generate product sales with upfront payments, the Company will have to consider additional strategic alternatives which may include, among other strategies, 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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

(a) Operating Segments

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

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

	Nine months ended		Three months ended	
	January 31, 2017	January 31, 2017	January 31, 2018	January 31, 2017
Europe	\$ 32,715	30,397	\$ -	4,534
North America	40,463	103,630	23,559	76,848
	\$73,178	\$ 134,027	\$ 23,559	\$ 81,382

(b) New standards and interpretations not yet adopted

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

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

(b) New standards and interpretations not yet adopted (continued)

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.

(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.

The Company continues its implementation plan for IFRS 15. The project plan includes developing the necessary accounting policies, estimates and judgements required by 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. While the Company is continuing to assess all potential impacts of the new revenue recognition standard, the Company currently believes its revenue discloses during the year to date meet the standards established.

(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 term is 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 has also been applied. The Company does not intend to apply this standard early. The Company is currently evaluating the impact of adopting this standard and will be developing an implementation plan over the next calendar year.

4. Cash and cash equivalents

At January 31, 2018 and April 30, 2017, cash and cash equivalents comprised exclusively cash in the Company's bank accounts.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

5. Amounts receivable

The composition of amounts receivable was as follows:

	January 31, 2018	April 30, 2017
Trade receivables (net)	\$69,789	\$171,099
Ontario Investment Tax Credit	53,190	53,190
HST receivable	275,737	158,781
	\$398,716	\$383,070

At January 31, 2018 the Company recognized an allowance for doubtful accounts in the amount of \$7,007 (January 31, 2017, \$Nil).

6. Inventories

The composition of inventories was as follows:

	January 31, 2018	April 30, 2017
Finished Goods - access points	\$ 146,933	\$ 202,452
Finished Goods – accessories	21,518	14,410
Raw materials	3,964	866
	\$ 172,415	\$ 217,728

Inventories are recognized as a cost of sales expense. Inventory is valued at lower of cost or net realizable value.

7. Property and equipment

Cost	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2016	166,409	75,372	10,799	252,580
Additions		6,180		6,180
Balance at January 31, 2017	\$ 166,409	\$ 81,552	\$ 10,799	\$ 258,760
Balance at April 30, 2017	166,409	84,421	10,799	261,629
Additions	7,382	2,128	-	9,510
Balance at January 31, 2018	\$173,791	\$86,549	\$10,799	\$271,139

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

7. Property and equipment (continued)

Accumulated Depreciation	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2016	\$166,409	\$47,276	\$10,000	\$223,685
Depreciation	-	8,862	218	9,080
Balance at January 31, 2017	\$ 166,409	\$ 56,138	\$ 10,218	\$ 232,765
Balance at April 30, 2017	\$166,409	\$59,432	\$10,290	\$236,131
Depreciation	1,353	10,537	218	12,108
Balance at January 31, 2018	\$ 167,762	\$ 69,969	\$ 10,508	\$248,239

Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
April 30, 2017	\$ -	\$ 28,096	\$799	\$ 28,895
January 31, 2018	6,029	16,580	291	22,900

Depreciation expense of \$12,108 in the nine months ended January 31, 2018 was recorded in the consolidated statement of loss and comprehensive loss and allocated to each of the four functional areas appearing in that statement.

8. Intangible assets

Cost	Patents	Computer software	Total
Balance at April 30, 2016	\$9,137,626	\$45,508	\$9,183,134
Disposals during the period	-	-	-
Balance at January 31, 2017	\$9,137,626	\$45,508	\$9,183,134
Balance at April 30, 2017	\$9,137,626	\$47,412	\$9,185,038
Additions during the period	-	-	-
Balance at January 31, 2018	\$9,137,626	\$47,412	\$9,185,038

Edgewater Wireless Systems Inc.
Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

8. Intangible assets (continued)

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2016	\$8,339,166	\$42,768	\$8,381,934
Amortization during the Period	399,230	685	399,915
Balance at January 31, 2017	\$8,738,396	\$43,485	\$8,781,849
Balance at April 30, 2017	\$8,871,473	\$43,734	\$8,915,207
Amortization for the period	266,153	1,161	267,314
Balance at January 31, 2018	\$9,137,626	\$44,895	\$9,182,521

Net Book Value	Patents	Computer Software	Total
April 30, 2017	\$266,153	\$ 3,678	\$269,831
January 31, 2018	-	2,517	2,517

Amortization expense of \$267,314 in the nine months ended January 31, 2018 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.

As of October 31, 2017 the value of the Company's patents were fully amortized.

9. Accounts Payable and Accrued Liabilities

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

	January 31, 2018	April 30, 2017
Trade accounts payable and accruals	\$1,013,821	\$1,215,338
Accrued vacation pay	66,968	61,070
Accrued salaries and commissions	98,470	99,820
Deferred Revenue	25,651	25,651
	\$1,204,910	\$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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

10. Leases

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

<u>Fiscal year</u>	
2018	\$22,948
2019	\$61,194

11. Notes Payable

	<u>31-Jan-18</u>	<u>30-Apr-17</u>
Notes payable issued August 2015		
bearing interest at 6.0% per annum payable monthly, payable by monthly principal payments of \$6,671 (USD 5,427), maturing July 2019	\$ 120,095	\$207,437
Notes payable issued Sept 2015		
non-interest bearing, effective rate of 6.0% per annum, payable in one payment of \$12,645 (Euro 8,502) followed by quarterly payments of \$3,051 (Euro 2,125) maturing December 2017	\$ 12,480	\$12,161
Note payable issued August 2015, non-interest bearing, effective rate of 6.0% per annum, payable by monthly principal payments of \$12,952 (USD 10,536), maturing July 2018	\$ 128,250	\$221,128
	\$ 260,825	\$440,726
Less: current portion	\$ 122,255	\$286,859
	\$ 138,570	\$153,867
These notes payable are due as follows and have been value in home currency		
2018		\$ 122,255
2019		\$ 118,555
2020		\$ 20,015
		\$ 260,825

12. Related party transactions

(a) Transactions with related entities

During the nine months ended January 31, 2018, amounts totaling \$Nil (nine months ended January 31, 2017, \$50,002) 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 may provide, on an occasional basis, the services of certain administrative and senior technical staff that the Company does not require on a full-time basis. ECSI may also sub-lease office and laboratory space to the

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

12. Related party transactions (continued)

Company. ECSI is a shareholder of the Company and is controlled by the former Chief Technology Officer of the Company. Included in accounts payable and accrued liabilities at January 31, 2018 was \$24,373 (2017 - \$30,627) due to ECSI.

(b) Transactions with key management personnel

During the nine months ended January 31, 2018, 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 13(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.

13. Share capital

(a) Authorized

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

(b) Issued and outstanding shares

Common Shares	Number	Amount
Balance, April 30, 2016	127,354,395	\$28,208,324
Options exercised	688,160	197,767
Issued on private placement	6,681,002	1,469,184
Share issue cost		(231,327)
Balance, January 31, 2017	134,723,557	\$29,643,948
Share issue cost		35,566
Options exercised	383,334	26,642
Balance, April 30, 2017	135,106,891	\$29,706,156
Issued on private placement	9,679,624	1,726,089
Options exercised	333,333	121,426
Warrants exercised	722,676	419,479
Share issue cost		(167,331)
Balance, January 31, 2018	145,842,524	\$ 31,805,819

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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

13. Share capital (continued)

(c) Share capital transactions

For the nine months ending January 31, 2018 the Company raised \$2,732,171 net of costs and finder fees through a three separate private subscription of 9,679,624 units.

- i) The first private subscription which closed June 30, 2017 raised gross proceeds \$1,365,965 for the issuance of 5,736,858 units at \$0.25 per unit comprising one common share and one-half of one share purchase warrant. When combined with another half share purchase warrant entitles the holder to acquire one common share for \$0.375 for two years following the close of the transaction. In conjunction with the private placement 273,000 units were issued as Finder Fees.
- ii) The second private subscription which closed on November 14th, 2017 raised gross proceeds of \$530,525 for the issuance of 2,121,100 units at \$0.25 per unit comprising of one common share and one-half of one share purchase warrant. When combined with another half share purchase warrant entitles the holder to acquire one common share for \$0.375 for two years following the close of the transaction. In conjunction with the private placement 78,000 units were issued as Finder Fees.
- iii) The third private placement closed on December 19th, 2017 and raised gross proceeds of \$999,999.60 from the issuance of 1,666,666 units, each unit comprising one common share and one common share purchase warrant with a strike price of \$0.75 per common share and a term of two years. In conjunction with the private placement 76,000 units were issued as Finder Fees.

In each case, unless subject to existing exemption provisions, the units were subject to hold periods of four months plus 1 day. The total cost issue costs of the three private subscriptions totaled \$297,668, inclusive of finder fees. This cost was allocated between shares and warrants of \$167,331 and \$130,337 respectively.

(d) Warrants

During the first nine months of the fiscal year the Company had three private subscriptions. For the nine months ending January 31, 2018 the Company raised \$2,732,171 net of costs and finder fees through a three separate private subscription of 9,679,624 units.

- i) The first private subscription used the Black-Scholes option pricing model each one-half warrant was estimated to have a value of \$0.0937 based on a risk free interest rate of 1.05%, expected dividend yield of 0%, with an expected volatility rate 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.
- ii) The second private subscription used 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 1.41%, expected dividend yield of 0%, with an expected volatility rate 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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

(d) Warrants (continued)

- iii) The first private subscription used the Black-Scholes option pricing model each one-half warrant was estimated to have a value of \$0.5090 based on a risk free interest rate of 1.64%, expected dividend yield of 0%, with an expected volatility rate 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.

The total cost of the three private subscriptions to date is \$297,668 allocated between shares and warrants at \$167,331 and \$130,337 respectively.

	Number	Amount	Price	Expiry date
Balance, April 30, 2016	6,096,240	\$ 323,945		
Issue on private placement	6,681,002	1,203,216	\$0.500	Sept. 1, 2018
Issue on debt arrangement	3,021,076	159,596	0.375	Sept. 1, 2020
Issue costs		(124,755)		
Balance, January 31, 2017	15,798,318	\$1,644,092		
Balance April 30, 2017	15,798,318	\$1,608,525		Various
Issue on private placement	2,868,429	634,845	\$0.375	June 30, 2019
Issue on private placement	1,115,050	144,833	\$0.375	Nov. 19, 2019
Issue on private placement	1,742,666	458,972	\$0.750	Dec. 20, 2019
Issue costs		(130,337)		
Warrants exercised	(722,676)	(136,700)		
Balance, January 31, 2018	20,801,787	\$2,580,138		

13. (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. .

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

13. (e) Stock Options (continued)

The composition of stock options outstanding at January 31, 2018 and changes during the nine month ending on January 31, 2018 were as follows.

	Nine months ended January 31, 2018		Year ended April 30, 2017	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	11,325,001	\$0.1823	11,683,106	\$0.1872
Granted	-	-	3,285,000	0.3100
Exercised	(333,333)	0.1905	(1,071,494)	0.1341
Forfeited	(106,667)	0.2700	(50,000)	0.0500
Expired	-	-	(2,521,611)	0.3942
Options outstanding end of period	10,885,001	\$0.1812	11,325,001	\$0.1823
Options exercisable end of period	7,928,322	\$0.1370	6,124,980	\$0.2183

The following table summarizes information about stock options outstanding at January 31, 2018.

Options outstanding			Options Exercisable		
Exercise price	Number outstanding Jan. 31/18	Weighted average remaining life	Exercise Price	Number exercisable Jan. 31/18	Exercise price
\$0.0500	3,875,001	6.88	\$0.0500	3,875,001	\$0.0500
0.1000	1,430,000	5.26	0.1000	1,430,000	0.1000
0.2500	70,000	4.32	0.2500	70,000	0.2500
0.2700	2,250,000	7.88	0.2700	1,483,329	0.2700
0.3100	3,260,000	9.05	0.3100	1,069,992	0.3100
	10,885,001	7.51	\$0.1812	7,928,322	\$0.1370

Edgewater Wireless Systems Inc.
Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

14. Contributed surplus

A summary of the contributed surplus at January 31, 2018 and the changes during the nine months then ended are presented below:

Balance, April 30, 2016	\$ 3,220,062
Exercise of options	(73,227)
Stock base compensation expense	199,046
<hr/>	
Balance, January 31, 2017	\$ 3,345,881
Exercise of options	(7,475)
Stock based compensation expense	577,122
<hr/>	
Balance, April 30, 2017	\$ 3,915,528
Stock base compensation	480,846
Exercise of options	(57,926)
<hr/>	
Balance, January 31, 2018	\$ 4,338,448

15. 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 10,885,001 stock options and 20,801,787 warrants outstanding at January 31, 2018 could potentially dilute future earnings per share calculations.

16. 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.

With the exception of a nominal residual value of software assets, the Company's intangible assets have been fully amortized (see note 8) and continue to carry a tax basis of nil for which no deferred tax liability has been recognized due to the initial recognition exemption under IFRS.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

17. 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.

	Nine months ended January 31, 2018
Compensation, Employees and Directors	\$1,018,174
Depreciation and Amortization	279,422
Consulting Fees	722,783
Materials	74,456
Travel	92,273
Professional, legal and regulatory fees	99,794

18. Capital management

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

The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is realistic.

19. 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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

19. Financial instruments (continued)

(b) Credit risk

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

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

(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 January 31, 2018, the Company had cash of \$538,896 to settle current liabilities of \$1,327,165. 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 January 31, 2018.

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 January 31, 2018 the Company had the following significant balances denominated in foreign currency: trade receivables (net of allowances), US\$34,519 and; accounts payable and notes payable, US\$561,000. A change in the Canadian dollar by 1 cent impacts by the converted US payable by approximately \$5,300.

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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

20. Subsequent Events.

Following the end of the quarter, the Note Holder (Note 11 of Notes Payable), a significant supplier to the Company, elected to exercise its warrants. The Note Holder held 840,000 warrants with a strike price of \$0.375 for proceeds of \$315,000.

The Company and the Note Holder agreed that the balance owing on the outstanding notes totaling \$252,475.54 would be extinguished upon receipt by the Company from the Note Holder of cash consideration of \$62,524.46 and the issuance of 840,000 common shares of the Company to the Note Holder.

This transaction was completed by mid-February, 2018.