Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

Six months ended October 31, 2017 and October 31, 2016

(Unaudited)

Responsibility for interim consolidated financial statements

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

Auditor involvement

The auditor of Edgewater Wireless Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended October 31, 2017 and October 31, 2016.

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statements of Financial Position

	October 31, 2017	April 30, 2017
Assets		
Current		
Cash and cash equivalents (note 4)	**$ 53,911**	$ 69,785
Amounts receivable (note 5)	**350,409**	383,070
Inventories (note 6)	**181,247**	217,728
Prepaid expenses and deposits	**23,555**	33,280
	609,112	703,863
Property and equipment (note 7)	**27,139**	25,498
Intangible assets (note 8)	**2,903**	269,831
	$ 639,164	$ 999,192
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	**$1,629,692**	$ 1,401,879
Note payable (note 11)	**146,252**	286,859
TOTAL Current liabilities	**1,775,944**	1,688,738
Long-term		
Notes payable (note 11)	**145,334**	153,86
Total liabilities	**1,921,278**	1,842,605
Shareholders' equity (deficiency)		
Share capital (note 13)	**30,414,685**	29,706,156
Warrants (note 13)	**2,171,226**	1,608,525
Contributed surplus (note 14)	**4,238,090**	3,915,528
Deficit	**(38,106,115)**	(36,073,622)
	(1,282,114)	(843,413)
	$639,164	$ 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.

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Six months ended October 31, 2017	Six months ended October 31, 2016	Three months ended October 31, 2017	Three months ended October 31, 2016
Revenues				
Products	**$ 37,705**	$ 47,032	**$ 10,662**	$ 44,845
Services	**11,915**	5,613	**11,240**	5,613
	49,620	52,645	**21,902**	50,458
Cost of Sales	**(46,934)**	(32,321)	**(19,856)**	(30,646)
Gross Margin	**2,686**	20,324	**2,046**	19,812
Expenses				
Sales and marketing	**400,636**	158,300	**237,937**	116,989
General and administrative	**739,974**	781,625	**358,030**	517,560
Product development	**891,124**	843,529	**454,124**	446,070
Operations	**54,386**	37,160	**26,486**	25,571
	2,086,108	1,820,614	**1,115,577**	1,106,190
Finance expense:				
Interest	**11,633**	15,346	**4,118**	5,547
Finance income	**(300)**	(3,586)	**(175)**	(2,843)
Foreign exchange	**(62,262)**	73,614	**3,134**	57,324
	(50,929)	85,374	**7,077**	60,028
Net loss and comprehensive loss	**$(2,032,493)**	$(1,885,664)	**$(1,120,608)**	$ (1,146,407)
Loss per common share				
Basic and diluted (note 15)	**$(0.015)**	$(0.014)	**$(0.008)**	$(0.009)
Weighted average number of common shares outstanding				
Basic and diluted	**138,729,283**	130,855,863	**140,843,749**	131,693,168

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

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2016	$28,208,324	$ 323,945	$ 3,220,062	$(31,800,509)	$(48,178)
Share-based payments	-	-	132,408	-	132,408
Share and warrants issued	1,469,184	1,203,216	-	-	2,672,400
Options Exercised	152,567		(53,027)	-	99,540
Warrants issued (special)	-	241,686	-	-	241,686
Share and warrant issue costs	(152,332)	(124,755)	-	-	(277,087)
Net Loss and comprehensive loss	-	-	-	(1,885,664)	(1,885,664)
Balance, October 31, 2016	$29,677,743	$ 1,644,092	$ 3,299,443	$(33,686,173)	$935,104
Balance, April 30, 2017	$29,706,156	$1,608,525	$3,915,528	$(36,073,622)	$ (843,413)
Share-based payments	-	-	322,562	-	322,562
Shares and warrants issued	799,370	634,845	-	-	1,434,215
Share and warrant issue costs	(90,841)	(72,144)	-	-	(162,985)
Net loss and comprehensive loss for the period	-	-	-	(2,032,493)	(2,032,493)
Balance, October 31, 2017	**$30,414,685**	**$2,171,226**	**$4,238,090**	**$(38,106,115)**	**$ (1,282,114)**

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

(All amounts expressed in Canadian Dollars)

Condensed Interim Consolidated Statement of Cash Flows

	Six months ended October 31, 2017	Six months ended October 31, 2016	Three months ended October 31, 2017	Three months ended October 31, 2016
Cash flows from operating activities				
Net loss	**$(2,032,493)**	$(1,885,664)	**$(1,120,608)**	$(1,143,924)
Items not affecting cash:				
Share-based payments	**322,562**	132,408	**161,281**	64,138
Amortization of intangible assets	**266,153**	310,513	**133,076**	177,436
Depreciation of property and equipment	**8,644**	6,346	**4,688**	3,271
	(1,435,134)	(1,436,397)	**(821,563)**	(889,079)
Changes in non-cash operating working capital items:				
Inventories	**36,481**	(59,175)	**9,618**	(42,469)
Other receivables	**32,661**	(126,911)	**(56,032)**	(138,706)
Prepaid expenses and deposits	**9,724**	15,063	**8,199**	12,116
Accounts payable and accrued Liabilities	**197,814**	(81,516)	**440,135**	(103,596)
	276,680	(252.539)	**401,920**	(272,655)
Cash used in operating activities	**(1,158,454)**	(1,688,936)	**(419,643)**	(1,171,734)
Cash flows from financing activities				
Issuance of Shares	**1,434,215**	1,605,817	**-**	1,603,317
Share Issue costs	**(90,841)**	(152,332)	**-**	(152,332)
Issuance of warrants	**-**	1,078,461	**-**	1,078,461
Warrant Issue arrangement	**-**	241,686	**-**	241,686
Warrant Issue costs	**(72,144)**	(124,755)	**-**	(124,755)
Issuance of note payable – current	**(8,533)**	(6,872)	**(110,607)**	60,743
Issuance of note payable – long-term	**(110,607)**	(76,910)	**51,838**	(70,038)
Cash provided by financing activities	**1,152,090**	2,565,095	**(58,768)**	2,637,082
Cash flows from investing activities				
Sale (Purchase) of equipment	**(9,510)**	(3,520)	**(5,171)**	-
Cash provided by investing activities	**(9,510)**	(3,520)	**(5,171)**	**-**
Increase (decrease) in cash	**(15,874)**	872,639	**(483,583)**	1,465,348
Cash and cash equivalents, beginning of period	**69,785**	717,967	**537,494**	125,258
Cash and cash equivalents, end of period	**$ 53,911**	**$** 1,590,606	**$ 53,911**	$ 1,590,606

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

1. ORGANIZATION AND GOING CONCERN

(a) Organization

Edgewater Wireless Systems Inc. (the "Company") was incorporated on January 8, 1980 under the British Columbia Company Act and continued on January 22, 1987 under the Canada Business Corporations Act. The Company's main activity is developing and commercializing leading edge technologies and intellectual property for the communications market. The address of the Company's head office is 408 Churchill Avenue North, Unit 2, 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 six months ended October 31, 2017, the Company incurred a net loss of $2,032,493 and negative cash flow from operating activities of $1,158,454. In addition, the Company has negative working capital of $1,166,832 (October 31, 2016 positive working capital of $714,627) and an accrued deficit of $38,106,114 (October 31, 2016, $33,686,173). 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 6 to 9 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.

(Expressed in Canadian dollars)

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:

	Six months ended		**Three months ended**	
	October 31, 2017	October 31, 2016	**October 31, 2017**	October 31, 2016
Europe	**$ 32,716**	25,863	**$ 11,240**	25,863
North America	**16,904**	26,782	**10,662**	24,595
	$49,620	$ 52,645	**$ 21,902**	$ 50,458

(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

(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 October 31, 2017 and April 30, 2017, cash and cash equivalents comprised exclusively cash in the Company's bank accounts.

(Expressed in Canadian dollars)

5. Amounts receivable

The composition of amounts receivable was as follows:

	October 31, 2017	April 30, 2017
Trade receivables (net)	**$52,008**	$171,099
Ontario Investment Tax Credit	**53,190**	53,190
HST receivable	**245,211**	158,781
	$350,409	$383,070

At October 31, 2017 the Company recognized an allowance for doubtful accounts in the amount of $7,007 (October 31, 2016, $Nil).

6. Inventories

The composition of inventories was as follows:

	October 31, 2017	April 30, 2017
Finished Goods - access points	**$ 153,303**	$ 202,452
Finished Goods – accessories	**23,980**	14,410
Raw materials	**3,964**	866
	$ 181,247	$ 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	-	3,520	-	3,520
Balance at October 31, 2016	$ 166,409	$ 78,892	$ 10,799	$ 256,100
Balance at April 30, 2017	166,409	84,421	10,799	261,629
Additions	7,382	2,128	-	9,510
Balance at October 31, 2017	**$173,791**	**$86,549**	**$10,799**	**$271,139**

(Expressed in Canadian dollars)

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	$236,131
Depreciation	-	5,744	145	5,889
Balance at October 31, 2016	$ 166,409	$ 53,020	$ 10,145	$ 229,574
Balance at April 30, 2017	$166,409	$59,432	$10,290	$236,131
Depreciation	738	6,986	146	7,870
Balance at October 31, 2017	**$ 167,147**	**$ 66,418**	**$ 10,436**	**$234,001**

Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
April 30, 2017	$ -	$ 28,096	$799	$ 28,895
October 31, 2017	6,644	20,131	363	27,138

Depreciation expense of $7,870 in the six months ended October 31, 2017 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 October 31, 2016	$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 October 31, 2017	**$9,137,626**	**$47,412**	**$9,185,038**

(Expressed in Canadian dollars)

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	266,153	457	266,610
Balance at October 31, 2016	$8,605,319	$43,225	$8,648,544
Balance at April 30, 2017	$8,871,473	$43,734	$8,915,207
Amortization for the period	266,153	774	266,927
Balance at October 31, 2017	**$9,137,626**	**$44,508**	**$9,181,134**

Net Book Value	Patents	Computer Software	Total
April 30, 2017	$266,153	$ 3,678	$269,831
October 31, 2017	-	2,904	2,904

Amortization expense of $266,927 in the six months ended October 31, 2017 was recorded in the consolidated statement of loss and comprehensive loss. Amortization of patents was recorded entirely as product development expense whereas amortization of computer software was allocated among the four functional areas presented in the consolidated statement of loss and comprehensive loss.

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:

	October 31, 2017	April 30, 2017
Trade accounts payable and accruals	**$1,375,846**	$1,215,338
Accrued vacation pay	**68,557**	61,070
Accrued salaries and commissions	**129,639**	99,820
Deferred Revenue	**25,651**	25,651
	$1,599,693	$1,401,879

(Expressed in Canadian dollars)

9. Accounts Payable and Accrued Liabilities (continued)

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

10. Leases

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

Fiscal year	
2018	$46,229
2019	$62,504

11. Notes Payable

		31-Oct-17	30-Apr-17
Notes payable issued August 2015			
bearing interest at 6.0% per annum payable monthly, payable by monthly principal payments of $6,997 (USD 5,427), maturing July 2019	$	146,949	$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	$	12,258	$12,161
Note payable issued August 2015, non-interest bearing, effective rate of 6.0% per annum, payable by monthly principal payments of $13,584 (USD 10,536), maturing July 2018	$	132,379	$221,128
	$	291,586	$440,726
Less: current portion	$	146,252	$286,859
	$	145,334	$153,867

These notes payable are due as follows and have been valued in home currency

2018	$	146.252
2019	$	124,341
2020	$	20,993
	$	291,586

(Expressed in Canadian dollars)

12. Related party transactions

(a) Transactions with related entities

During the six months ended October 31, 2017, amounts totaling $Nil (six months ended October 31, 2016, $27,392) 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 Company. ECSI is a shareholder of the Company and is controlled by a senior officer of the Company. Included in accounts payable and accrued liabilities at October 31, 2017 was $24,405 (2016 - $66,905) due to ECSI.

(b) Transactions with key management personnel

During the six months ended October 31, 2017, the Company paid no amounts to Directors or senior management of the Company other than as remuneration in their capacity as employees or reimbursement of expenses incurred in the performance of their duties. The Company's compensation program provides that total compensation for senior management may include a combination of base salary, and objective-based incentives as well as the same health and insurance benefit programs as provided to all other employees. All Directors and officers are eligible to receive stock options (see note 12(e)).

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

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	438,160	152,567
Issued on private placement	6,681,002	1,469,184
Share issue cost		(152,332)
Balance, October 31, 2016	134,473,557	$29,677,743
Share issue cost		(43,429)
Options exercised	633,334	71,842
Balance, April 30, 2017	135,106,891	$29,706,156
Issued on private placement	5,736,858	799,370
Share issue costs		(90,841)
Balance, October 31, 2017	**140,843,749**	**$ 30,414,685**

(Expressed in Canadian dollars)

(b) Issued and outstanding shares (continued)

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

(c) Share capital transactions

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

(d) Warrants

Using the Black-Scholes option pricing model each one-half warrant was estimated to have a value of $0.1092 based on a risk free interest rate of 1.05%, expected dividend yield of 0%, and an expected volatility of 190%. Volatility was estimated by reviewing the most recent trading activity on the TSX-V; from this review and taking into consideration additional factors unique to the Company, an estimated volatility of 190% was established. Based upon this calculation, $634,845 of the proceeds was allocated to the warrants. Cash finders' fees and legal costs totaling $162,985 were incurred in closing the sale of the Units. These costs were allocated to Share Capital and Warrants on a pro-rata basis pursuant to the allocation of the proceeds from the sale of the Units.

	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, October 31, 2016	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 costs	-	(72,144)		
		-		
Balance, October 31, 2017	**18,666,747**	**$2,171,226**		

(Expressed in Canadian dollars)

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.

The composition of stock options outstanding at October 31, 2017 and changes during the three month ending on October 31, 2017 were as follows.

	Six months ended October 31, 2017		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	-	-	(1,071,494)	0.1341
Forfeited	-	-	(50,000)	0.0500
Expired	-	-	(2,521,611)	0.3942
Options outstanding end of period	11,325,001	$0.1823	11,325,001	$0.1823
Options exercisable end of period	6,124,980	$0.1409	6,124,980	$0.2183

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

Options outstanding				Options Exercisable	
Exercise price	Number outstanding Oct. 31/17	Weighted average remaining life	Exercise Price	Number exercisable Oct. 31/17	Exercise price
$0.0500	4,000,001	7.13	$0.0500	2,683,327	$0.0500
0.1000	1,430,000	5.51	0.1000	1,430,000	0.1000
0.2500	70,000	4.57	0.2500	70,000	0.2500
0.2700	2,540,000	8.13	0.2700	846,661	0.2700
0.3100	3,285,000	9.30	0.3100	1,094,992	0.3100
	11,325,001	7.76	$0.1823	6,124,980	$0.1409

(Expressed in Canadian dollars)

14. Contributed surplus

A summary of the contributed surplus at October 31, 2017 and the changes during the six months then ended are presented below:

Balance, April 30, 2016	$ 3,220,062
Exercise of options	(975)
Stock base compensation expense	68,270
Balance, October 31, 2016	$ 3,287,357
Exercise of options	(79,727)
Stock based compensation expense	707,898
Balance, April 30, 2017	$ 3,915,528
Stock base compensation	322,562
Balance, October 31, 2017	**$ 4,238,090**

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 11,325,001 stock options and 18,666,747 warrants outstanding at October 31, 2017 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.

(Expressed in Canadian dollars)

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.

	Six months ended October 31, 2017
Compensation, Employees and Directors	$677,500
Depreciation and Amortization	274,796
Consulting Fees	555,739
Materials	65,436
Travel	66,854
Professional, legal and regulatory fees	58,297

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 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.

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 October 31, 2017, the Company had cash of $53,911 to settle current liabilities of $1,775,945. The majority of the Company's financial liabilities have contractual maturities of less than ninety days and all are subject to normal trade terms. Subsequent to the end of the quarter the Company raised $1,531,250 in two non-brokered private placements and through private subscriptions and $179,158 from the exercise of warrants issued during earlier non-brokered private placements.

(d) Market risk

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

Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the credit-worthiness of its bank. There were no such investments in place at October 31, 2017.

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 October 31, 2017 the Company had the following significant balances denominated in foreign currency: trade receivables (net of allowances), US$51,500 and; accounts payable and notes payable, US$658,600. A change in the Canadian dollar by 1 cent impacts by the converted US payable by approximately $6,700.

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.

20. Subsequent Events.

Following the end of the quarter, the Company completed two non-brokered private placements.

The first closed on November 14th, 2017 and raised gross proceeds of $530,525 from the issuance of 2,121,100 units at $0.25 per unit comprising one common share and one-half of one share purchase warrant which when combined with another half share purchase warrant entitles the holder to acquire one common share for $0.375 for two years following the closing of the transaction. 78,000 Finders units were issued in conjunction with this private placement.

The second 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. Finders' fees of $45,599.98 were paid in cash together with 76,000 Finders Units. Each Finders units comprising one common share and one common share purchase warrant with a strike price of $0.75 per share and a maturing date two years after closing.

In each case, unless subject to existing exemption provisions, the units were issued subject to hold periods of four months plus 1 day.