



**Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Financial Statements

Nine months ended January 31, 2020 and January 31, 2019

(Unaudited)

## **Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

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### **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, 2020 and January 31, 2019.

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

**Condensed Interim Consolidated Statements of Financial Position**

	January 31, 2019	April 30, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents (note 5)	\$ 79,963	\$ 62,796
Amounts receivable (note 6)	43,368	178,476
Inventories (note 7)	95,295	96,057
Prepaid expenses and deposits	467,449	432,605
	<b>686,075</b>	<b>769,934</b>
<b>Property and equipment (note 8)</b>	<b>16,434</b>	<b>27,488</b>
<b>Intangible assets (note 9)</b>	<b>333</b>	<b>810</b>
	<b>16,767</b>	<b>28,298</b>
	<b>\$ 702,842</b>	<b>\$ 798,232</b>

**Liabilities and Shareholders' Equity  
(Deficiency)**

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 10)	\$1,851,848	\$ 1,772,698
Deferred revenue	245,723	245,723
Note payable (note 12)	118,041	107,178
	<b>2,215,612</b>	<b>2,125,599</b>
<b>Total liabilities</b>	<b>2,215,612</b>	<b>2,125,599</b>
<b>Shareholders' equity (deficiency)</b>		
Share capital (note 14)	34,485,995	33,623,078
Warrants (note 14)	2,461,035	2,840,472
Contributed surplus	5,698,145	4,956,295
Deficit	(44,157,945)	(42,747,212)
	<b>(1,512,770)</b>	<b>(1,327,367)</b>
	<b>\$702,842</b>	<b>\$ 798,232</b>

**Going concern (note 1(b))**

**Approved by the Board:**

**(Signed) "Brian C. Imrie"**, Director

**(Signed) "Bert Whyte"**, 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,	
	2020	2019	2020	2019
<b>Revenues</b>				
<b>Products</b>	\$ 1,535	\$ 382,773	\$ 1,056	\$ 188,871
<b>Services</b>	10,250	11,719	-	-
	11,784	394,492	1,056	188,871
<b>Cost of Sales</b>	(11,981)	(294,771)	(774)	(142,119)
<b>Gross Margin</b>	(197)	99,721	282	46,752
<b>Expenses</b>				
Sales and marketing	387,509	268,171	118,002	113,133
General and administrative	637,034	938,457	194,516	503,492
Product development	303,120	805,997	4,088	212,496
Operations	79,879	81,295	26,170	27,322
	1,407,542	2,093,920	342,776	856,443
Finance expense:				
Financing expense	11,228	3,497	3,884	7
Finance income	(1,128)	(2,834)	(537)	(187)
Foreign exchange	(7,106)	40,525	3,235	3,589
	2,994	41,188	6,582	3,409
<b>Net loss and comprehensive loss</b>	<b>\$(1,410,733)</b>	<b>\$(2,035,387)</b>	<b>\$(349,076)</b>	<b>\$ (813,100)</b>
<b>Loss per common share</b>				
Basic and diluted (note 14)	<b>\$(0.008)</b>	<b>\$(0.013)</b>	<b>\$(0.002)</b>	<b>\$(0.005)</b>
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	<b>167,187,905</b>	<b>153,680,740</b>	<b>169,738,630</b>	<b>158,711,456</b>

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**Condensed Interim Consolidated Statement of Changes in Equity**

	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, April 30, 2018</b>	\$32,474,384	\$ 2,290,043	\$ 4,459,437	\$(39,941,053)	\$(717,189)
Share-based payments	-	-	362,180	-	362,180
Share and warrants issued	1,008,013	838,164	-	-	1,846,177
Share and warrant issue costs	(48,954)	(40,705)	-	-	(89,659)
Options exercised	38,729	-	(11,704)	-	27,025
Warrants expired	-	(41,525)	41,525	-	-
Net Loss and comprehensive loss	-	-	-	(2,035,387)	(2,035,387)
<b>Balance, January 31, 2019</b>	\$33,472,172	\$ 3,045,977	\$ 4,851,438	\$(41,976,400)	\$ (603,853)
<b>Balance, April 30, 2019</b>	\$33,623,078	\$2,840,472	\$4,956,295	\$(42,747,212)	\$ (1,327,367)
Share-based payments	-	-	157,363	-	157,363
Share and warrants	888,800	211,200	-	-	1,100,000
Share and warrant issue costs	(25,883)	(6,150)	-	-	(32,033)
Warrants expired	-	(584,487)	584,487	-	-
Net loss and comprehensive loss for the period	-	-	-	(1,410,733)	(1,410,733)
<b>Balance, January 31, 2020</b>	<b>\$34,485,995</b>	<b>\$2,461,035</b>	<b>\$5,698,145</b>	<b>\$(44,157,945)</b>	<b>\$ (1,512,770)</b>

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

**Edgewater Wireless Systems Inc.**  
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**Condensed Interim Consolidated Statement of Cash Flows**

	Nine months ended January 31,		Three months ended January 31,	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Net loss	\$(1,410,733)	\$(2,035,387)	\$(349,076)	\$(813,100)
Items not affecting cash:				
Share-based payments	157,363	362,180	35,623	311,749
Amortization of intangible assets	477	1,161	159	387
Depreciation of property and equipment	11,054	15,485	3,520	5,166
	<b>(1,241,839)</b>	<b>(1,656,561)</b>	<b>(309,774)</b>	<b>(495,798)</b>
Changes in non-cash operating working capital items:				
Inventories	762	30,235	762	27,190
Other receivables	135,108	233,709	113,600	48,282
Prepaid expenses and deposits	(34,844)	(307,301)	89,560	110,576
Accounts payable and accrued Liabilities	79,150	(123,112)	117,622	(88,940)
	<b>180,176</b>	<b>(232,088)</b>	<b>321,544</b>	<b>(98,108)</b>
<b>Cash used in operating activities</b>	<b>(1,061,663)</b>	<b>(1,823,030)</b>	<b>11,770</b>	<b>(397,690)</b>
<b>Cash flows from financing activities</b>				
Issuance of shares and warrants	1,085,020	967,670	-	-
Share issue costs	(17,053)	(8,612)	-	-
Issuance of warrants	-	804,620	-	-
Warrant Issue costs	-	(7,160)	-	-
Issuance of note payable – current	10,863	90,000	3,478	90,000
Options exercised	-	27,025	-	25,000
Cash provided by financing activities	<b>1,078,830</b>	<b>1,873,543</b>	<b>3,478</b>	<b>115,000</b>
<b>Cash flows from investing activities</b>				
(Purchase) of equipment	-	(17,449)	-	(17,449)
Cash provided by investing activities	-	(17,449)	-	(17,499)
<b>Increase (decrease) in cash</b>	<b>17,167</b>	<b>33,064</b>	<b>15,618</b>	<b>(300,139)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>62,796</b>	<b>65,984</b>	<b>64,345</b>	<b>399,187</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 79,963</b>	<b>\$ 99,048</b>	<b>\$ 79,963</b>	<b>\$ 99,048</b>

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, 2020

(Expressed in Canadian dollars)

(Unaudited)

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## 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, 2020, the Company incurred a net loss of \$1,410,733 and negative cash flow from operating activities of \$1,061,663. In addition, the Company has negative working capital of \$1,529,537 (January 31, 2019 negative working capital of \$639,614) and an accrued deficit of \$44,157,945 (January 31, 2019, \$41,976,440). 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.

The Company is continuing to pursue additional financing.

Management believes it will complete one or more additional financing arrangements. The timing of closing any arrangement is currently uncertain. 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, further additional 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.

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, 2020  
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### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

These unaudited condensed interim consolidated financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements are condensed as they do not include all of the information required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2019. All financial information is reported in Canadian dollars, unless otherwise noted.

The significant accounting policies applied in these consolidated financial statements are presented in notes 1 and 3 and are based on the IFRS issued and effective as of April 30, 2019.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on April 13, 2020.

#### **Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except as permitted by IFRS and as otherwise indicated within these notes.

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

#### **Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. To the extent that some of these estimates relate to transactions which are expected to occur or be finalized in the future, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The impact of revisions to accounting estimates is recognized in the period in which such estimates are revised and in any future periods affected.

#### **Critical judgments in applying accounting policies**

The Company derives all of its revenues from the sale of wireless access points, associated peripheral equipment and support services and has no other operations. Additionally, all of the assets of the Company are used to generate revenues from the sale of wireless access points and associated peripheral equipment. In the judgment of management, the Company has one Cash Generating Unit (“CGU”). The Company assesses its cash generating unit annually to determine whether any indication of impairment exists.

## **Edgewater Wireless Systems Inc.**

Notes to Condensed Interim Consolidated Statements

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### **2. BASIS OF PRESENTATION (continued)**

#### ***Key sources of estimation uncertainty***

Information about assumptions concerning the future and other key sources of estimation uncertainty that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is presented in the following notes:

Notes 3 (e) - Inventories

Note 13(c) – Share capital transactions

Note 13(d) -- Warrants

Note 13(e) – Stock Options

Note 16 – Income taxes

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

#### **(a) Basis of consolidation**

The consolidated financial statements of the Company as at and for the year ended April 30, 2019 comprise the accounts of the Company and its subsidiaries. Edgewater Wireless Systems, Ltd. became a wholly-owned subsidiary of the Company, effective October 13, 2011. Edgewater Wireless do Brasil Tecnologia Ltda., incorporated under the laws of Brazil, also became a wholly-owned subsidiary on that date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company using accounting policies consistent with the Company. Intra-group balances and transactions, and any unrealized revenue and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### **(b) Foreign currency transactions and balances**

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries using the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the fiscal period end are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the fiscal period, adjusted for effective interest and payments during the fiscal period, and the amortized cost in foreign currency translated at the exchange rate at the end of the fiscal period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss.

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the end of the fiscal period. The revenue and expenses of foreign operations are translated to Canadian dollars at the average rate of exchange which prevailed during the fiscal period.

Foreign exchange gains and losses resulting from the translation of such transactions and from the translation of assets and liabilities are recognized in profit or loss.

#### (d) Cash and cash equivalents

Cash and cash equivalents include unrestricted cash balances and highly liquid marketable securities that are cashable on demand.

#### (e) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out method and includes expenses incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down.

#### (f) Property and equipment

Property and equipment is measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes any expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of an item of the related property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss from operations.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its anticipated residual value.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives noted below:

Laboratory equipment	3 years
Computer hardware	3 years
Furniture and fixtures	3 years

The property and equipment residual values, useful lives, and methods of depreciation are subject to estimation uncertainty and are reviewed at each fiscal year end and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Intangible assets**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Product development costs are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Amortization of intangible assets is recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

Patents	6 years
Computer software	3 years

**(h) Research and development expense**

Research and development costs are expensed as incurred. Development costs are deferred and amortized when the criteria for recognition of an intangible asset are met, or otherwise, are expenses as incurred. No research and development costs have been capitalized to date.

**(i) Impairment**

The carrying values of property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that are expected to generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

An impairment loss would be recorded when the recoverable amount of an asset or its CGU is less than its carrying amount. Impairment losses recorded in previous fiscal periods are evaluated for potential reversals when events or changes in circumstances in subsequent periods warrant such consideration.

**(j) Income taxes**

Income tax expense comprises current and deferred elements. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

## **Edgewater Wireless Systems Inc.**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(j) Income taxes (continued)**

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

1. the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and;
2. differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset only under very limited circumstances.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be applied. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the fiscal period the qualifying expenditures are incurred based on management's interpretation of applicable legislation in the Income Tax Act of Canada. Credits are recorded provided there is reasonable assurance that the tax credit will be realized.

Credits claimed are subject to review by the Canada Revenue Agency.

Credits claimed in connection with product development activities are accounted for using the cost reduction method. Under this method, assistance and credits relating to the acquisition of equipment is deducted from the cost of the related assets, and those relating to current expenditures, which are primarily salaries and related benefits, are included in the determination of profit or loss as a reduction of the product development expenses.

#### **(k) Financial instruments**

##### **(i) Initial measurement and classification**

Non-derivative financial assets: The Company initially recognizes amounts receivable on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes party to the contractual provisions of the instrument.

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Financial instruments (continued)

##### (i) Initial measurement and classification (continued)

Assets at amortized cost: Amounts receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Financial liabilities at fair value through profit or loss: These include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities at amortized cost: The Company initially recognizes debt liabilities on the date that they are originated. All other financial liabilities are recognized initially on the date at which the Company become party to the contractual provisions of the instrument.

##### (ii) Subsequent measurement:

Non-derivative financial liabilities: The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Assets at amortized cost: Subsequent to initial recognition, amounts receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities at amortized cost: The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The following is a summary of the classifications the Company has applied to each of its significant categories of financial instruments outstanding:

<u>Financial instrument</u>	<u>Classification</u>
Cash	Assets at amortized cost
Amounts Receivables	Assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Notes payable	Financial liabilities at amortized cost

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(iii) Compound financial instruments:**

The Company does not currently have any compound financial instruments.

If they were to be created, the liability component of a compound financial instrument would be recognized initially at the fair value of a similar liability that does not have an equity component. The equity component would be recognized initially at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction cost would be allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition. The liability component of a compound financial instrument would be measured at amortized cost using the effective interest method. The equity component of a compound financial instrument would not be re-measured to initial recognition.

Interest related to the financial liability would be recognized in profit or loss. On conversion, the financial liability would be reclassified to equity and no gain or loss would be recognized.

#### **(iv) Fair value measurement:**

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the reporting period there were no transfers between Level 1 and Level 2 fair value measurements.

#### **(v) Impairment of financial assets:**

Loss allowances are measured based on the lifetime expected credits losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information. The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full and then impairs the asset.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(k) Financial instruments (continued)**

##### **(vi) Share capital**

###### **Common shares**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from common shares, net of any tax effects.

##### **(vii) Warrants**

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from warrants, net of any tax effects. Proceeds from the sale of combined financial instruments that include warrants are allocated to their components based on their relative fair values. The fair value of warrants is estimated using the Black-Scholes option pricing model or Barrier option pricing model at the time of their issuance. If warrants are exercised, a pro-rata portion of the amount recognized at their original issuance is transferred to common shares. If warrants expire unexercised, the amount recognized at their original issuance is transferred to contributed surplus.

The Company does not account for extensions of warrants issued as part of financing arrangements.

#### **(k) Share-based payment transactions**

For stock options that vest immediately, compensation expense is recorded based on the estimated fair value of the stock options at the grant date using the Black-Scholes option valuation model. For stock options granted which vest over time, the Company calculates the grant-date fair value of the share-based payment and recognizes the expense over the period that the recipients become unconditionally entitled to the awards. In both cases, the corresponding credit is recorded in contributed surplus. At each calculation of expense, an estimate is made of the number of options expected to ultimately be exercised. Where the expense relates to options granted to employees, the grant date fair value is not adjusted in future periods.

Share-based payment transactions in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions; goods are recognized when they are obtained and services are recognized when received. Goods and services are recognized at their fair value unless such fair value cannot be measured reliably, in which case the goods or services are measured with reference to the equity instruments granted.

#### **(l) Warranty**

Provisions for product warranties not considered separate performance obligations are based on current volumes of products sold still under warranty and on warranty claims. Also taken into consideration are estimates and assumptions on future quality rates for new products and estimates of costs to remedy the issues that might occur.

## **Edgewater Wireless Systems Inc.**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(j) Leases and financing arrangements**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. Interest expense on equipment financing arrangements of 12 months or shorter duration is allocated on a straight-line basis over the term of the lease. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments as is the corresponding liability.

The Company does not have any finance leases.

#### **(k) Revenue recognition**

The Company recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. When a single sales transaction requires more than one performance obligation, the total amount of consideration to be received is allocated to distinct products or services deliverables based on the stand-alone selling price of each.

Revenue from sale of products is recognized based on individual contract terms at the point in time when control of the product transfers to the customers, which usually occurs at the time shipment is made, subject to customer acceptance provisions. The Company's product is purchased with a standard warranty and there is no option to purchase any additional warranty coverage.

Revenue for services is recognized when the service is rendered.

Payment is typically due within 30 days of shipment, with a limited number of customers being granted extended terms of up to 60 days, and consideration is generally fixed and does not contain any significant financing components. Payments received in advance of the satisfaction of the Company's revenue recognition criteria are recorded as deferred revenue.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Incremental costs to obtain a contract are typically short-term in nature and the Company applies the practical expedient permitted under IFRS 15 to recognize such costs as an expense when incurred if the amortization of the asset that the Group would have otherwise recognized is less than one year.

The adoption of this standard has had minimal impact of the presentation of the Company's financial results.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Loss per share**

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the dilutive effects of all potential common share issuances relating to outstanding warrants, convertible debentures and stock options.

**4. NEW AND REVISED IFRS PRONOUNCEMENTS:**

The Company adopted the following new accounting standards and amendments which are effective for the Company's consolidated financial statements commencing May 1, 2018.

**(a) IFRS 9, Financial Instruments**

Effective May 1, 2018, the Company adopted IFRS 9. 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. The standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

The adoption of this standard has not had a material impact on the consolidated financial statements.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which the financial assets is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification.

Classification and measurement of financial assets and liabilities

The following table summarizes the classification and measurement changes for each class of the Company's financial assets and liabilities upon adoption at May 1, 2018:

	IAS 39		IFRS 9	
Financial instrument	Category	Measurement	Category	Measurement
Cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Notes payable	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

## Edgewater Wireless Systems Inc.

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### 4. NEW AND REVISED IFRS PRONOUNCEMENTS: (continued)

#### (a) IFRS 9, Financial Instruments (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value of credit losses (FVOCL), but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of cash and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables as an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating the ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information.

The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full.

#### (b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a single, principles based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The standard also provides guidance relating to customer acquisition costs.

The Company adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of May 1, 2018 using the modified retrospective approach. The Company will provide expanded disclosures related to the nature, amount and timing of the revenue when appropriate. In addition, the Company has elected to make use of the following practical expedients:

- IFRS 15 is only applied to revenue contracts that are not completed as of the date of applying the standard as of May 1, 2018; and
- The Company will expense sales commission costs when incurred if the amortization period is less than 12 months.

Revenue is recognized upon transfer of control of promised goods or services to the customer in an amount that reflects the consideration the Company expects to receive for those goods and services. The Company's goods or services are generally distinct and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its

## Edgewater Wireless Systems Inc.

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### 4. NEW AND REVISED IFRS PRONOUNCEMENTS: (continued)

#### (b) IFRS 15, Revenue from Contracts with Customers (continued)

own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from any other promises in the contractual arrangement with the customer. For contracts where services are rendered revenue is recognized on the level of effort measured against total effort required to complete the contract.

The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

#### (c) IFRS 16, Leases

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.

The Company adopted IFRS 16 in its financial statements for the annual period beginning on May 1, 2019. The Company had no leases as of this reporting period which extended more than twelve months.

### 5. Cash and cash equivalents

At January 31, 2020 and April 30, 2019, cash and cash equivalents comprised cash in the Company's bank accounts and included \$10,444 (2019 - \$10,351) invested in guaranteed investment certificates bearing an annual interest rate of 1.20% and maturing in November 2020.

### 6. Amounts receivable

The composition of amounts receivable was as follows:

	January 31, 2020	April 30, 2019
Trade receivables (net)	\$ -	\$28,963
Ontario Investment Tax Credit	33,779	73,330
HST receivable	9,589	76,183
	<b>\$43,368</b>	<b>\$178,476</b>

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### 7. Inventories

The composition of inventories was as follows:

	January 31, 2020	April 30, 2019
Finished Goods - access points	\$ 80,357	\$ 81,119
Finished Goods – accessories	11,178	11,178
Raw materials	3,760	3,760
	<b>\$ 95,295</b>	<b>\$ 96,057</b>

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

### 8. Property and equipment

<b>Cost</b>	<b>Laboratory</b>	<b>Computer</b>	<b>Furniture</b>	<b>Total</b>
Balance at April 30, 2018	\$ 175,586	\$ 96,293	\$ 10,799	\$ 282,678
Additions	-	17,449	-	17,449
Balance at January 31, 2019	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Balance at April 30, 2019	175,586	113,742	10,799	300,127
Additions	-	-	-	-
<b>Balance at January 31, 2020</b>	<b>\$ 175,586</b>	<b>\$ 113,742</b>	<b>\$ 10,799</b>	<b>\$ 300,127</b>

  

<b>Accumulated Depreciation</b>	<b>Laboratory equipment</b>	<b>Computer hardware</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Balance at April 30, 2018	\$ 168,477	\$ 73,791	\$ 10,580	\$ 252,848
Depreciation	2,294	12,973	219	15,485
Balance at January 31, 2019	\$ 170,771	\$ 86,764	\$ 10,799	\$ 268,834
Balance at April 30, 2019	\$ 171,536	\$ 90,304	\$ 10,799	\$ 272,639
Depreciation	2,294	8,760	-	11,054
<b>Balance at January 31, 2020</b>	<b>\$ 173,830</b>	<b>\$ 99,064</b>	<b>\$ 10,799</b>	<b>\$ 283,693</b>

  

<b>Net Book Value</b>	<b>Laboratory equipment</b>	<b>Computer hardware</b>	<b>Furniture and fixtures</b>	<b>Total</b>
April 30, 2019	\$ 4,050	\$ 23,438	-	\$ 27,488
January 31, 2020	1,756	14,678	-	16,434

## Edgewater Wireless Systems Inc.

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### 8. Property and equipment (continued)

The following table presents the depreciation expense by function for the period ended January 31, 2020 and 2019:

	Nine months ended		Three months ended	
	January 31,		January 31,	
	2020	2019	2020	2019
Sales and marketing	\$ -	\$ -	\$ -	\$ -
General and administrative	3,346	2,626	2,645	1,003
Product development	7,708	12,859	875	4,163
Operations	-	-	-	-
	\$ 11,054	\$ 15,485	\$ 3,520	\$ 5,166

### 9. Intangible assets

Cost	Patents	Computer software	Total
Balance at April 30, 2018	\$9,137,626	\$47,412	\$9,185,038
Disposals during the period	-	-	-
Balance at January 31, 2019 and 2020	\$9,137,626	\$47,412	\$9,185,038

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2018	\$9,137,626	\$45,282	\$9,182,908
Amortization during the Period	-	1,161	1,161
Balance at January 31, 2019	\$9,137,626	\$46,443	\$9,184,069
Balance at April 30, 2019	\$9,137,626	\$46,602	\$9,184,228
Amortization for the period	-	476	476
<b>Balance at January 31, 2020</b>	<b>\$9,137,626</b>	<b>\$47,078</b>	<b>\$9,184,704</b>

Net Book Value	Patents	Computer Software	Total
April 30, 2019	\$ -	\$ 810	\$ 810
January 31, 2020	-	334	334

## Edgewater Wireless Systems Inc.

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### 9. Intangible assets (continued)

The following table presents the depreciation expense by function for the year ended January 31, 2020 and 2019:

	Nine months ended		Three months ended	
	January 31,		January 31,	
	2020	2019	2020	2019
Sales and marketing	\$ -	\$ -	\$ -	\$ -
General and administrative	182	231	153	88
Product development	294	930	6	299
Operations	-	-	-	-
	\$ 476	\$ 1,161	\$ 159	\$ 387

### 10. Accounts Payable and Accrued Liabilities

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

	January 31, 2020	April 30, 2019
Trade accounts payable and accruals	\$1,537,635	\$1,525,012
Accrued vacation pay	77,580	71,415
Accrued salaries and commissions	236,633	176,271
	\$1,851,848	\$1,772,698

### 11. Leases

The Company leases its current premises. The lease obligations are:

<u>Fiscal year</u>	
2020	\$38,246

At the end of the period, there were five months remaining on the lease for the current premises.

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### 12. Notes Payable

	31-January-20	30-Apr-19
Notes payable issued December 2018 bearing interest at 12% when due, January 19, 2019 and then 15% per annum, when past due, calculated quarterly. Payable on demand.	\$ 105,610	\$ 94,516
Notes payable issued Sept 2015 non-interest bearing, payable in one payment of \$12,645 (Euro 8,502) followed by quarterly payments of \$3,051 (Euro 2,125) matured December 2017	12,431	12,662
	118,041	107,178
Less: current portion	118,041	107,178
	\$ -	\$ -

Financial Liabilities	Notes Payable	Share Capital	Warrants	Contributed surplus	Total
Balance at April 30, 2018	\$ 12,662	\$ 32,474,384	\$2,290,043	\$ 4,459,437	\$ 39,236,526
<b>Changes from financing cash flows</b>					
Issuance notes payable	90,000	-	-	-	90,000
Issuance of shares and warrants	-	1,008,013	838,164	-	1,846,177
Issuance costs	-	(48,954)	(40,705)	-	(89,659)
Options exercised	-	38,729	-	(11,704)	27,025
Total changes from financing cash flows	102,662	33,472,172	3,087,502	4,447,733	41,110,069
Other changes					
Warrants expired	-	-	(41,525)	41,525	-
Share-based payments	-	-	-	362,180	362,180
Balance at January 31, 2019	\$ 102,662	\$ 33,472,172	\$3,045,977	\$ 4,851,438	\$ 41,472,249

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**12. Notes Payable (continued)**

<b>Financial Liabilities</b>	<b>Notes Payable</b>	<b>Share Capital</b>	<b>Warrants</b>	<b>Contributed surplus</b>	<b>Total</b>
Balance at April 30, 2019	\$ 107,178	\$ 33,623,708	\$2,840,472	\$ 4,956,295	\$ 41,527,023
<b>Changes from financing cash flows</b>					
Issuance of shares and warrants	–	888,800	211,200	–	1,100,000
Issuance cost	–	(25,883)	(6,150)	–	(32,033)
Total changes from financing cash flows	107,178	34,485,995	3,045,522	4,956,295	42,594,990
<b>Other changes</b>					
Interest expense	10,863	–	–	–	10,863
Share-based payments	–	–	–	157,363	157,363
Expired warrants	–	–	(584,487)	584,487	–
Balance at January 31, 2020	<u>\$ 118,041</u>	<u>\$ 34,485,995</u>	<u>\$2,461,035</u>	<u>\$ 5,698,145</u>	<u>\$ 42,723,745</u>

**13. Key Management Transactions**

During the nine months ended January 31, 2020 and January 31, 2019, the Company paid no amounts to directors or senior management of the Company other than as remuneration in their capacity as directors or employees or reimbursement of expenses incurred traveling in the performance of their duties. 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 14(e)).

In November 2019 250,000 stock options were granted to the new director on the board at an exercise price of \$0.085 with 1/3 of the options vesting immediately and 1/3 on each of the first and second anniversaries of the grant.

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.

**14. 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

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### 14. Share capital (continued)

#### (b) Issued and outstanding shares

Common Shares	Number	Amount
Balance, April 30, 2018	146,692,524	\$32,474,384
Issued on private placement	11,538,606	1,008,013
Options exercised	507,500	38,729
Share issue cost		(48,954)
Balance, January 31, 2019	158,238,630	\$33,472,172
Issued on private placement adjustment		161,877
Share issue cost	-	(10,971)
Balance, April 30, 2019	158,738,630	\$33,623,078
Issued on private placement	11,000,000	888,800
Share issue cost		(25,883)
<b>Balance, January 31, 2020</b>	<b>169,738,630</b>	<b>\$ 33,485,995</b>

**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 nine months ending January 31, 2020 the Company issued 11,000,000 shares for cash in the private placement (2019 - 507,500 shares were issued upon exercise of options and 11,538,606 shares were issued under private placement).

No new shares were issued during the three months ending January 31, 2020.

#### (d) Warrants

During the three months ending July 31, 2019, the company issued 5,500,000 warrants in conjunction with the unit offering completed during the period and 210,000 finders warrants to accredited finders who assisted in the private placement.

Using the Black-Scholes option pricing model each warrant was estimated to have a value of \$0.0457 based on a risk-free interest rate of 1.39%, expected dividend yield of 0%, and an expected volatility of 150%. 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. Based upon this calculation, \$205,050 of the proceeds was allocated to the warrants. Cash finders' fees and legal costs totaling \$6,150 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.

No new warrants were issued during the quarter ended 31 January 2020. nor were any warrants exercised.

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### 14. Share capital (continued)

#### (d) Warrants (continued)

On November 19, 2019 a total of 1,090,050 share purchase warrants with a strike price of \$0.375 expired. On December 20, 2019 an additional 1,742,666 share purchase warrants with a strike price of \$0.75 expired.

During the period ended 31 July 2019, 2,281,929 outstanding share purchase warrants were extended by two years to June 30, 2021. These warrants were issued pursuant to a non-brokered private placement completed on June 30, 2017 with an original term of two years. The brokers warrants associated with this private placement were ineligible for extension and expired on June 30, 2019.

Each extended Warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.375 per share. All other terms of the Warrants remain unchanged. The warrant extension was approved by the TSX Venture Exchange

	Number	Amount	Price	Expiry date
<b>Balance, April 30, 2018</b>	19,951,787	<b>\$2,290,043</b>		
Issue on private placement	11,538,606	838,164	\$0.375	September 4, 2023
Expired warrants	(299,820)	(41,525)		
Issue costs		(40,705)		
Balance, January 31, 2019	31,190,573	\$3,045,977		
<b>Balance April 30, 2019</b>	<b>30,723,408</b>	<b>\$2,840,472</b>		
Issue on private placement	5,710,000	211,200	\$0.200	July 4, 2021
Expired warrants	(134,344)	(16,148)		
	(1,090,050)	(128,886)	0.375	November 19, 2019
	(1,742,666)	(439,453)	0.750	December 20, 2019
Issue costs		(6,150)		
<b>Balance, January 31, 2020</b>	<b>33,466,348</b>	<b>\$2,461,035</b>		

#### (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. 250,000 options were granted during the quarter to the new director.

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**14. (e) Stock Options (continued)**

The composition of stock options outstanding at April 30, 2019 and changes during the nine months ending on January 31, 2020 were as follows.

	Options outstanding	Weighted average exercise price	Years to expiry	Options exercisable	Weighted average exercise price	Years to expiry
Balance, April 30, 2018	10,865,001	\$0.1810	7.27	9,009,991	\$0.1578	7.04
Granted	4,035,000	0.1600	9.78	1,331,550	0.1600	9.78
Exercised	(500,000)	0.0500	5.88	(500,000)	0.0500	5.88
	(7,500)	0.2700	6.88	(7,500)	0.2700	7.38
Forfeited	(30,000)	0.3100	8.05	(20,000)	0.3100	8.05
Balance, January 31, 2019	14,362,501	\$0.1344	7.44	9,814,041	0.1632	6.78
Balance, April 30, 2019	13,762,501	\$0.1800	7.23	11,059,051	\$0.1849	6.66
Forfeited	(120,000)	0.1000	3.75	(120,000)	0.1000	3.75
	(275,000)	0.1600	8.78	(90,750)	0.1600	8.78
	(250,000)	0.3100	7.05	(250,000)	0.3100	7.05
Granted	250,000	0.0850	9.78	83,333	0.0850	9.78
Vested				1,240,800	0.1600	8.78
<b>Balance, January 31, 2020</b>	<b>13,367,501</b>	<b>\$0.1769</b>	<b>6.51</b>	<b>11,922,434</b>	<b>\$0.1800</b>	<b>6.35</b>

The following table summarizes information about stock options outstanding at January 31, 2020.

Options outstanding			Options Exercisable		
Exercise price	Number outstanding Jan. 31/2020	Weighted average remaining life	Exercise Price	Number exercisable Jan. 31/2020	Exercise price
\$0.0500	3,050,001	4.88	\$0.0500	3,050,001	\$0.0500
0.0850	250,000	9.78	0.0850	83,333	0.0850
0.1000	1,310,000	3.26	0.1000	1,310,000	0.1000
0.1600	3,760,000	8.78	0.1600	2,481,600	0.1600
0.2500	70,000	2.32	0.2500	70,000	0.2500
0.2700	2,167,500	5.88	0.2700	2,167,500	0.2700
0.3100	2,760,000	7.05	0.3100	2,760,000	0.3100
	13,367,501	6.51	\$0.1769	11,922,434	\$0.1800

## Edgewater Wireless Systems Inc.

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### 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 13,367,501 stock options and 33,466,348 warrants outstanding at January 31, 2020 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.

### 17. Operating Segments

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's internal management system at a consolidated level. The Company has determined that it has only one operating segment.

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 the Company's assets are in Canada.

	Nine months ended		Three months ended	
	January 31, 2019	January 31, 2019	January 31, 2020	January 31, 2019
Europe	\$ 10,250	\$ -	\$ -	\$ -
North America	1,535	394,492	1,056	188,871
	<b>\$11,785</b>	<b>\$ 394,492</b>	<b>\$ 1,056</b>	<b>\$ 188,871</b>

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(Expressed in Canadian dollars)

(Unaudited)

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### 18. 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, 2020
Compensation, Employees and Directors	\$448,819
Advertising, promotion and public relations	319,324
Depreciation and amortization	11,531
Consulting Fees	285,325
Professional, legal and regulatory fees	149,338
Travel	15,510

### 19. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. Capital consists of notes payable and total equity, less amounts accumulated in equity related to share-based payments to employees and consultants. 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 reasonable.

There has been no change from the prior year in the way capital is managed.

### 20. Financial instruments

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

#### (a) Fair value

The Company's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are:

**Level 1** values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2** values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3** values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the Company's

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**20. Financial instruments (continued)**

(a) Fair value (continued)

assessment of the lowest level input that is the most significant to the fair value measurement.

The fair values of cash and cash equivalents are assessed a Level 1, trade receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature are assessed at Level 2. The fair values of notes payable approximates their carrying values as the rate of interest charged is consistent with market rates and assessed at a Level 2.

There have been no changes from the prior year in the Company's exposure or responses to financial risk.

**(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 and trade receivables. Cash and cash equivalents, if any, include 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 trade receivables is minimal. Credit terms vary among customers. Depending on circumstances, the Company's typical policy would usually provide for up to a 30% deposit upon receipt of an order with the balance due 30-90 days after delivery. Standard practice also includes the seeking of an approved credit limit under a receivables insurance policy with Export Development Canada which can provide coverage of up to 90%.

The Company maintains a provision in allowance for anticipated bad debts. The Company has no concentrated credit risk, outside of government receivables. At April 30, 2019 the company had concentrated risk with two clients which accounted for 100% of its trade receivables.

**(c) Liquidity risk**

The Company's approach to managing liquidity risk is to endeavor to have sufficient liquidity to meet liabilities when due. As at January 31, 2020, the Company had cash and cash equivalents of \$79,963 (April 30, 2019, \$62,796) to settle current liabilities of \$2,215,612 (April 30, 2019 - \$2,125,599).

The following are contractual maturities of cash flows for financial liabilities at January 31, 2020.

	<b>Future Value</b>	<b>3 months</b>	<b>3-12 Months</b>	<b>1-2 years</b>
Accounts payable and accrued liabilities	\$1,851,848	\$1,774,268	\$ 77,580	\$ -
Notes payable	118,041	-	118,041	-
Total	<u>\$1,969,889</u>	<u>\$1,774,268</u>	<u>\$195,621</u>	

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### **20. Financial instruments (continued)**

#### **(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. The Company has a GIC valued at \$10,444 set to mature in November 2020.

##### ***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, 2020 the Company had the following significant balances denominated in foreign currency payable totaling US\$440,000. A change in the Canadian dollar by 1 percent impacts by the converted US payable by approximately \$4,400.

##### ***Price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. When making commitments for manufacturing, the Company assesses tariff implications on material inputs on its manufactured products and in respect to product pricing.