



Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

Six months ended October 31, 2021 and October 31, 2020

(Unaudited)

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Responsibility for interim consolidated financial statements

The accompanying unaudited condensed interim consolidated financial statements for Edgewater Wireless Systems Inc. have been prepared by management in accordance with International Financial Reporting Standards (IFRS) 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 October 31, 2021 and October 31, 2020.

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

Condensed Interim Consolidated Statements of Financial Position

	October 31, 2021	April 30, 2021
Assets		
Current assets:		
Cash and cash equivalents (note 5)	\$ 452,371	\$ 1,488,390
Short-term investment (note 4)	10,581	10,581
Amounts receivable (note 5)	27,345	16,597
Prepaid expenses and deposits	148,862	46,677
	<u>639,159</u>	<u>1,562,245</u>
Property and equipment (note 7)	3,335	3,243
Intangible assets (note 8)	-	-
	<u>3,335</u>	<u>3,243</u>
	<u>\$ 642,494</u>	<u>\$ 1,565,488</u>

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

Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$1,530,925	\$ 2,015,260
Deferred revenue	252,119	252,119
Note payable (note 11)	12,191	12,564
Deferred government assistance (note 10)	1,804	3,700
	<u>1,797,039</u>	<u>2,283,643</u>
Long-term Liabilities		
Notes and loan payable (note 11)	35,036	33,140
Deferred government assistance (note 10)	23,160	23,160
Total liabilities	<u>1,855,235</u>	<u>2,339,943</u>
Shareholders' equity (deficiency)		
Share capital (note 13)	36,088,391	36,088,391
Warrants (note 13)	1,037,940	1,480,775
Contributed surplus (note 14)	7,786,787	7,215,055
Deficit	(46,125,859)	(45,558,676)
	<u>(1,212,741)</u>	<u>(774,455)</u>
	<u>\$642,494</u>	<u>\$ 1,565,488</u>

Going concern (note 1(b))

Approved by the Board:

(Signed) "Brian C. Imrie", Director

(Signed) "Ralph Garcea", 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

	Six months ended October 31,		Three months ended October 31,	
	2021	2020	2021	2020
Revenues				
Products	\$ 4,100	\$ -	\$ 4,100	\$ -
Services	-	-	-	-
	4,100	-	4,100	-
Cost of Sales	(532)	-	(532)	-
Gross Margin	3,568	-	3,568	-
Expenses				
Sales and marketing	70,709	128,493	37,683	59,159
General and administrative	414,303	229,912	205,463	108,921
Product development	63,657	6,875	40,394	6,202
Operations	20,113	21,326	3,913	13,813
	568,782	386,606	287,453	188,095
Finance expense:				
Financing expense	192	8,569	73	4,380
Finance income	(1,397)	(62)	(600)	-
Foreign exchange	3,174	(24,582)	(2,620)	(3,855)
	1,969	(16,075)	(3,147)	525
Net loss and comprehensive loss	\$(567,183)	\$(370,531)	\$(280,738)	\$ (180,620)
Loss per common share				
Basic and diluted (note 14)	\$(0.003)	\$(0.002)	\$(0.002)	\$(0.001)
Weighted average number of common shares outstanding				
Basic and diluted	186,963,263	169,738,630	186,963,263	169,738,630

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

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(All amounts expressed in Canadian Dollars)
(Unaudited)

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2020	\$34,504,658	\$ 2,540,960	\$ 5,634,025	\$(44,785,229)	\$(2,141,586)
Share-based payments	-	-	40,960	-	40,960
Warrants expired	-	(1,456,059)	1,456,059	-	-
Net Loss and comprehensive loss	-	-	-	(370,531)	(370,531)
Balance, October 31, 2020	\$34,504,658	\$ 1,048,901	\$ 7,131,044	\$(45,155,760)	\$ (2,471,157)
Balance, April 30, 2021	\$36,088,391	\$1,480,775	\$7,215,055	\$(45,558,676)	\$ (774,447)
Share-based payments	-	-	128,897	-	128,897
Warrants expired	-	(442,835)	442,835	-	-
Net loss and comprehensive loss for the period	-	-	-	(567,183)	(502,587)
Balance, October 31, 2021	\$36,088,391	\$1,037,940	\$7,786,787	\$(46,125,859)	\$ (1,212,741)

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

Edgewater Wireless Systems Inc.
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(All amounts expressed in Canadian Dollars)
(Unaudited)

Condensed Interim Consolidated Statement of Cash Flows

	Six months ended October 31,		Three months ended October 31,	
	2021	2020	2021	2020
Cash flows from operating activities				
Net loss	\$(567,183)	\$(370,531)	\$(280,738)	\$(188,620)
Items not affecting cash:				
Share-based payments	128,897	40,960	52,827	20,480
Interest	-	9,244	-	4,811
Depreciation of property and equipment	3,385	5,443	1,745	2,417
Changes in non-cash operating working capital items:				
Other receivables	(10,748)	189	2,645	(4,614)
Prepaid expenses and deposits	(102,185)	104,195	117,841	33,261
Unrealized foreign exchange	(3,174)	(24,582)	2,608	(3,972)
Accounts payable and accrued Liabilities	(481,161)	198,425	(250,587)	(121,254)
	(464,986)	334,130	(308,603)	173,637
Cash used in operating activities	(1,032,169)	(36,401)	(589,341)	(14,983)
Cash flows from financing activities				
Issuance of shares and warrants	-	-	-	-
Share issue costs	-	-	-	-
Issuance of note payable – current	(373)	140,000	(383)	40,000
Cash provided by financing activities	(373)	140,000	(383)	40,000
Cash flows from investing activities				
(Purchase) of equipment	(3,477)	-	(1,249)	-
Cash provided by investing activities	(3,477)	-	(1,249)	-
Increase (decrease) in cash	(1,036,019)	103,599	(590,973)	25,017
Cash and cash equivalents, beginning of period	1,488,390	28,685	1,043,344	107,267
Cash and cash equivalents, end of period	\$ 452,371	\$ 132,284	\$ 452,371	\$ 132,284

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 October 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

1. ORGANIZATION AND GOING CONCERN

(a) Organization

Edgewater Wireless Systems Inc. (the "Company") was incorporated on January 8, 1980 under the British Columbia Company Act and continued on January 22, 1987 under the Canada Business Corporations Act. The Company's main activity is developing and commercializing leading edge technologies and intellectual property for the communications market. The address of the Company's head office is Unit 2, 408 Churchill Avenue North Ottawa, Ontario, Canada. The Company was formerly known as KIK Polymers Inc. and adopted its current name in January 2012.

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has not earned substantial revenue from the sale of its products and is, therefore, considered to be in the development stage. During the six months ended October 31, 2021, the Company incurred a net loss of \$567,183 and negative cash flow from operating activities of \$1,157,880. In addition, the Company has negative working capital of \$1,157,880 (October 31, 2020 negative working capital of \$2,438,861) and an accrued deficit of \$46,125,859 (October 31, 2020, \$45,155,760). 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.

In addition to raising capital the Company continues to employ strategies to generate revenues, cost curtailments as well as monetization of certain intangible assets and exploring licensing agreements. When capital is neither available or too expensive the Company may be faced with winding up, dissolution or liquidation.

The condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis of presentation were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

2. BASIS OF PRESENTATION

Statement of compliance

The unaudited condensed interim consolidated 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

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended October 31, 2021
(Expressed in Canadian dollars)
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2. BASIS OF PRESENTATION (continued)

financial statements for the year ended April 30, 2021. All financial information is reported in Canadian dollars, unless otherwise noted.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on December 20, 2021

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.

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 6 - Inventories

Note 13(c) – Share capital transactions

Note 13(d) -- Warrants

Note 13(e) – Stock Options

Note 16 – Income taxes

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended October 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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.

(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.

Edgewater Wireless Systems Inc.
Notes to Condensed Interim Consolidated Statements

For the nine months ended October 31, 2021
(Expressed in Canadian dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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:

Edgewater Wireless Systems Inc.

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For the nine months ended October 31, 2021

(Expressed in Canadian dollars)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expensed 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.

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.

For the nine months ended October 31, 2021
(Expressed in Canadian dollars)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes (continued)

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

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.

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

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended October 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

(ii) Subsequent measurement:

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.

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

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

(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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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(Expressed in Canadian dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

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.

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

(v) Impairment of financial assets:

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.

(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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Warrants (continued)

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.

(l) 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.

(m) 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.

(n) Leases and financing arrangements

At inception of a contract, the Company assesses the right to control the use of an identified asset for a period of time in exchange for consideration to determine if the contract is a lease. The Company recognizes a right of use asset and a lease liability at the commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the asset or site on which is located, less any lease incentives received. The asset is depreciated to the earlier of the end of the useful life or the lease term using the straight-line method. The lease term includes period covered by an option to extend if the Company is reasonably certain to use the option.

For the nine months ended October 31, 2021
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases and financing arrangements

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is measured when there is a change in future lease payments, if there is a change in the Company's estimated amount expected to be paid, or if the Company changes its assessment of if it will exercise a purchase, extension, or termination option. When the lease is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in the profit or loss if the carrying amount of the right-of-use has been reduced to zero.

The Company has elected to apply the practical expedient, under IFRS 16 not to recognize right-of-use assets and lease liabilities for short-term leases having a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

(o) 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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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. Cash and cash equivalents

At October 31, 2021 cash and cash equivalents comprised cash in the Company's bank accounts and included \$10,581 (2020 - \$10,527) invested in guaranteed investments certificate bearing an annual interest rate of 0.60% and maturing in November 2021.

5. Amounts receivable

The composition of amounts receivable was as follows:

	October 31, 2021	April 30, 2021
Trade receivables (net)	\$ -	\$ -
HST receivable	27,345	16,597
	<u>\$ 27,345</u>	<u>\$ 16,597</u>

6. Inventories

At the end of April 30, 2020 the Company had written down the value of inventory due to obsolescence as well repositioning itself towards new market opportunities. There were no inventory purchases in FY2022 or FY2021.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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7. Property and equipment

Cost	Laboratory	Computer	Furniture	Total
Balance at April 30, 2020	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Additions	-	-	-	-
Balance at October 31, 2020	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Balance at April 30, 2021	175,586	113,742	10,799	300,127
Additions	-	3,477	-	3,477
Balance at October 31, 2021	\$ 175,586	\$ 117,219	\$ 10,799	\$ 303,604

Accumulated Depreciation	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2020	\$ 174,595	\$ 101,587	\$ 10,799	\$ 286,981
Depreciation	792	4,651	-	5,443
Balance at October 31, 2020	\$ 175,387	\$ 106,238	\$ 10,799	\$ 292,424
Balance at April 30, 2021	\$ 175,586	\$ 110,499	\$ 10,799	\$ 296,884
Depreciation	-	3,385	-	3,385
Balance at October 31, 2021	\$ 175,586	\$ 113,884	\$ 10,799	\$ 300,269

Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
October 31, 2020	\$ 199	\$ 7,504	-	\$ 7,703
October 31, 2021	50	3,335	-	3,335

Edgewater Wireless Systems Inc.

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7. Property and equipment (continue)

The following table presents the depreciation expense by function for the period ended October 31, 2021 and 2020:

	Six months ended		Three months ended	
	October 31,		October 31,	
	2021	2020	2021	2020
Sales and marketing	\$ -	\$ -	\$ -	\$ -
General and administrative	2,312	4,388	2,266	2,034
Product development	1,073	1,055	150	382
Operations	-	-	-	-
	\$ 3,385	\$ 5,443	\$ 2,416	\$ 2,416

8. Intangible assets

Cost	Patents	Computer software	Total
Balance at April 30, 2020	\$9,137,626	\$47,412	\$9,185,038
Disposals during the period	-	-	-
Balance at October 31, 2021 and 2020	\$9,137,626	\$47,412	\$9,185,038

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2020	\$9,137,626	\$47,412	\$9,185,038
Amortization during the Period	-	-	-
Balance at October 31, 2020	\$9,137,626	\$47,412	\$9,185,038
Balance at April 30, 2020	\$9,137,626	\$47,412	\$9,185,038
Amortization for the period	-	-	-
Balance at October 31, 2021	\$9,137,626	\$47,412	\$9,185,038

Net Book Value	Patents	Computer Software	Total
October 31, 2020	\$ -	\$ -	\$ -
October 31, 2021	-	-	-

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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9. Leases

The Company has three (3) leases with a remaining term of less than twelve (12) months. The Company's leases were all of a short-term duration, less than twelve (12) months, and had elected under the model to expense payments on a straight-line basis over the lease term. As such, the adoption of IFRS 16 had no impact on the consolidated financial statements

10. Accounts Payable and Accrued Liabilities

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

	October 31, 2021	April 30, 2021
Trade accounts payable and accruals	\$1,156,055	\$1,541,810
Accrued vacation pay	78,071	80,830
Accrued salaries and commissions	296,799	392,620
	\$1,530,925	\$2,015,260

11. Notes Payable

	31-July-21	30-Apr-21
Loan payable to the Government of Canada under the Canada Emergency Business Account (CEBA) program, non-interest bearing due December 31, 2022. Effective rate of interest 12% per annum, at 12% from date received.	\$ 35,036	\$ 33,140
Note payable to issued September 2015 non-interest bearing, effective rate of 6.0% per annum, payable on demand in one payment \$12,572 (Euro 8,502).	12,191	12,564
	47,227	45,704
Less: current portion	12,191	12,564
	\$ 35,036	\$ 33,140

Edgewater Wireless Systems Inc.

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11. Notes Payable

Financial Liabilities	Notes and loan payable	Government Assistance	Total
Balance at April 30, 2020	\$ 122,465	\$ –	\$ 122,465
Changes from financing cash flows			
Issuance of notes payable	123,149	16,851	140,000
Total changes from financing cash flows	245,614	16,851	262,465
Effects of changes in foreign exchange rates	803	–	803
Interest expense	8441	–	8,441
Balance at October 31, 2020	\$ 254,858	\$ 16,851	\$ 271,709

Financial Liabilities	Notes and loan payable	Government Assistance	Total
Balance at April 30, 2021	\$ 45,704	\$ 26,860	\$ 72,564
Changes from financing cash flows			
Issuance of notes payable	–	–	–
Total changes from financing cash flows	45,704	26,860	72,564
Effects of changes in foreign exchange rates	(373)	–	(373)
Interest expense	1,946	(1,946)	-
Balance at October 31, 2021	\$ 47,277	\$ 24,914	\$ 72,191

12. Key Management Transactions

During the six months ended October 31, 2021 and October 31, 2020, 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-

Edgewater Wireless Systems Inc.

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12. Key Management Transactions (continued)

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)).

During the three months ended October 31, 2021, the directors and officers were granted 1,250,000 options (2020 – Nil).

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, 2020	169,738,630	\$33,485,995
Balance, October 31, 2020	169,238,630	\$33,485,995
Balance, April 30, 2021	186,963,263	\$36,088,391
Balance, October 31, 2021	186,963,263	\$ 36,088,931

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

No new shares were issued during the six months ending October 31, 2021.

(d) Warrants

In the three months ending October 31, 2021 no warrants expired. Prior to Q2 2021 a total of 7,991,929 warrants expired.

No new warrants were issued in the period ending October 31, 2021.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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13. Share capital (continued)

(d) Warrants

	Number	Amount	Price	Expiry date
Balance, April 30, 2020	33,928,138	\$2,504,960		
Expired warrants	(13,935,813)	(1,456,059)		
Balance, October 31, 2020	19,992,325	\$1,048,901		
Balance April 30, 2021	37,772,810	\$1,480,775		
Expired warrants	(7,991,929)	(442,835)		June 30 and July 4, 2021
Balance, October 31, 2021	29,780,881	\$1,037,940		

(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.

For the six months ending October 31, 2021 a total of 1,700,000 options were granted to directors, employees and consultants (2020 – Nil).

Edgewater Wireless Systems Inc.
Notes to Condensed Interim Consolidated Statements

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13. (e) Stock Options (continued)

The composition of stock options outstanding at April 30, 2020 and April 30, 2022 and changes during the six months ending on October 31, 2020 and October 31, 2021 were as follows.

	Options outstanding	Weighted average exercise price	Years to expiry	Options exercisable	Weighted average exercise price	Years to expiry
Balance, April 30, 2020	12,717,501	\$0.1737	6.21	11,357,434	\$0.1764	5.92
Forfeited	-	-	-	-	-	-
Balance, October 31, 2020	12,717,501	\$0.1737	5.71	11,357,434	0.1764	5.42
Balance, April 30, 2021	14,617,501	\$0.1669	4.78	13,034,165	\$0.1705	4.43
Granted	1,700,000	0.1350	7.62	539,997	0.1350	7.62
Balance, October 31, 2021	16,317,501	\$0.1636	4.71	13,574,162	\$0.1691	4.17

The following table summarizes information about stock options outstanding at October 31, 2021.

Options outstanding			Options Exercisable
Exercise price	Number outstanding October 31/2021	Weighted average remaining life	Number exercisable October 31/2021
\$0.0500	3,050,001	2.88	3,050,001
0.0850	250,000	0.75	166,666
0.1000	1,310,000	1.49	1,310,000
0.1350	1,700,000	7.62	539,997
0.1400	2,250,000	7.50	749,998
0.1600	3,385,000	5.43	3,385,000
0.2500	70,000	0.57	70,000
0.2700	1,817,500	3.66	1,817,500
0.3100	2,485,000	4.42	2,485,000
0.1636	16,317,501	4.71	13,574,162

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14. Contributed Surplus

A summary of the contributed surplus at October 31, 2021 and October 31, 2020 and the changes during the three months then ended are presented below:

Balance, April 30, 2020	\$ 5,634,025
Stock base compensation	40,960
Expired warrants	1,456,059
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Balance, October 31, 2020	\$ 7,131,044
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Balance, April 30, 2021	\$ 7,215,055
Stock base compensation	128,897
Expired warrants	442,835
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Balance, October 31, 2021	\$ 7,786,787

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 16,317,501 stock options and 29,780,881 warrants outstanding at October 31, 2021 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.

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.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended October 31, 2021

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17. Operating Segments (continued)

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.

	Six months ended		Three months ended	
	October 31, 2021	January 31, 2020	October 31, 2021	January 31, 2020
Europe	\$ 2,843	\$ -	\$ 2,843	\$ -
North America	1,257	-	1,257	-
	<u>\$ 4,100</u>	<u>\$ -</u>	<u>\$ 4,100</u>	<u>\$ -</u>

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.

	Six months ended October 31, 2021
Compensation, Employees and Directors	\$309,209
Advertising, promotion and public relations	54,982
Consulting fees	86,056
Rent	20,113
Professional, legal and regulatory fees	92,310

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.

Edgewater Wireless Systems Inc.

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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 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%.

(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 October 31, 2021, the Company had cash and cash equivalents of \$452,371 (April 30, 2021, \$1,488,390) to settle current liabilities of \$1,797,039 (April 30, 2021 - \$2,283,643).

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20. Financial instruments

(c) Liquidity risk

The following are contractual maturities of cash flows for financial liabilities at October 31, 2021.

	Future Value	3 months	3-12 Months	1-2 years
Accounts payable and accrued liabilities	\$1,530,925	\$1,452,854	\$ 78,071	\$ -
Notes Payable	47,227		12,191	35,036
Total	\$1,578,152	\$1,452,854	\$ 423,139	\$ 35,036

(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 \$10,581 set to mature in November 2021.

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, 2021 the Company had the following significant balances denominated in foreign currency payable totaling US\$389,000. A change in the Canadian dollar by 1 percent impacts by the converted US payable by approximately \$4,900.

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 assesses tariff implications on material inputs on its manufactured products and in respect to product pricing.

21. COVID-19 Virus

Due to the stage of the Company's development, it was not exposed to any loss of revenue. The Company has benefited from government programs designed to assist companies that qualify for such assistance.