



**Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Financial Statements

Six months ended October 31, 2022 and October 31, 2021

(Unaudited)

## **Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

---

---

### **Responsibility for interim consolidated financial statements**

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

### **Auditor involvement**

The auditor of Edgewater Wireless Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and six month periods October 31, 2022 and October 31, 2021.

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

**Condensed Interim Consolidated Statements of Financial Position**

	October 31, 2022	April 30, 2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 417,485	\$ 167,586
Short-term investments (note 4)	10,635	10,616
Amounts receivable (note 5)	33,547	13,221
Prepaid expenses and deposits	169,450	161,179
	<u>631,117</u>	<u>352,602</u>
<b>Property and equipment (note 6)</b>	<b>2,534</b>	<b>2,757</b>
<b>Right of use asset (7)</b>	<b>44,327</b>	<b>51,377</b>
<b>Intangible assets (note 8)</b>	<b>-</b>	<b>-</b>
	<u>46,861</u>	<u>54,134</u>
	<b>\$ 677,978</b>	<b>\$ 406,736</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9)	\$ 1,603,104	\$ 1,540,562
Deferred revenue	252,119	252,119
Lease obligation (note 10)	7,638	14,688
Note and loan payable (note 11)	50,600	148,630
Deferred government assistance (note 11)	20,879	22,883
	<u>1,934,340</u>	<u>1,978,882</u>
<b>Long-term liabilities:</b>		
Lease obligation (note 10)	36,689	36,689
Debentures, convertible (note 12)	727,966	-
Deferred government assistance (note 11)	-	-
	<u>2,698,995</u>	<u>2,015,571</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (note 14)	36,088,391	36,088,391
Warrants (note 14)	1,037,940	1,037,940
Contributed surplus (note 15)	7,916,115	7,881,109
Deficit	(47,063,463)	(46,616,275)
	<u>(2,021,017)</u>	<u>(1,608,835)</u>
	<b>\$ 677,978</b>	<b>\$ 406,736</b>

**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		Three months ended	
	October 31,		October 31,	
	2022	2021	2022	2021
<b>Revenues</b>				
<b>Products</b>	\$ -	\$ 4,100	\$ -	\$ 4,100
<b>Services</b>	<b>1,795</b>	-	<b>1,795</b>	-
	<b>1,795</b>	4,100	<b>1,795</b>	4,100
<b>Cost of Sales</b>	-	(532)	-	(532)
<b>Gross Margin</b>	<b>1,795</b>	3,568	<b>1,795</b>	3,568
<b>Expenses</b>				
Sales and marketing	<b>41,751</b>	70,709	<b>16,805</b>	37,683
General and administrative	<b>331,104</b>	414,303	<b>191,072</b>	205,463
Product development	<b>8,467</b>	63,657	<b>6,412</b>	40,394
Operations	<b>19,668</b>	20,113	<b>9,900</b>	3,913
	<b>400,990</b>	568,782	<b>224,189</b>	287,453
Finance expense:				
Interest	<b>17,994</b>	192	<b>14,000</b>	73
Finance income	<b>(3,315)</b>	(1,397)	<b>(2,910)</b>	(600)
Foreign exchange	<b>33,313</b>	3,174	<b>32,544</b>	(2,620)
	<b>47,992</b>	1,969	<b>43,634</b>	(3,147)
<b>Net loss and comprehensive loss</b>	<b>\$(447,187)</b>	\$(567,183)	<b>\$(266,028)</b>	\$(280,738)
<b>Loss per common share</b>				
Basic and diluted (note 16)	<b>\$(0.002)</b>	\$(0.003)	<b>\$(0.001)</b>	\$(0.002)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	<b>186,963,263</b>	186,963,263	<b>186,963,263</b>	186,963,263

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

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

---

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

---

	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, April 30, 2021</b>	\$36,088,931	\$ 1,480,775	\$ 7,215,055	\$ (45,558,676)	\$ (774,455)
Share-based payments	-	-	128,897	-	128,897
Warrants expired	-	(442,835)	442,835	-	-
Net Loss and comprehensive loss	-	-	-	(567,183)	(567,183)
<b>Balance, October 31, 2021</b>	\$36,088,391	\$ 1,037,940	\$ 7,786,787	\$ (46,125,859)	\$ (1,212,741)
<b>Balance, April 30, 2022</b>	\$36,088,391	\$ 1,037,940	\$ 7,881,109	\$ (46,616,275)	\$ (1,608,835)
Share-based payments	-	-	35,006	-	35,006
Expired warrants	-	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	(447,188)	(447,188)
<b>Balance, October 31, 2022</b>	<b>\$36,088,391</b>	<b>\$1,037,940</b>	<b>\$ 7,916,115</b>	<b>\$ (47,063,463)</b>	<b>\$ (2,021,017)</b>

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

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

**Condensed Interim Consolidated Statement of Cash Flows**

	Six months ended October 31,		Three months ended October 31,	
	2022	2021	2022	2021
<b>Cash flows from operating activities</b>				
Net loss	\$ (447,187)	\$ (567,183)	\$(266,028)	\$ (280,738)
Items not affecting cash:				
Share-based payments	35,006	128,897	14,730	52,827
Depreciation of property and equipment	733	3,385	443	1,745
Interest	(2,004)	-	(1,002)	-
Changes in non-cash operating working capital items:				
Inventories		-		-
Other receivables	20,326	(10,748)	(28,278)	2,645
Prepaid expenses and deposits	(8,271)	(102,185)	(6,130)	(117,841)
Unrealized foreign exchange	30,467	(3,174)	30,869	2,608
Accounts payable and accrued Liabilities	44,041	(418,161)	(17,478)	(250,587)
Cash used in operating activities	(367,541)	(1,032,169)	(272,874)	(589,341)
<b>Cash flows from financing activities</b>				
Debenture, convertible	716,000	-	716,000	-
Note Payable	(98,030)	(373)	(98,631)	(383)
Cash provided by financing activities	617,970	(373)	617,369	(383)
<b>Cash flows from investing activities</b>				
Sale (Purchase) of equipment	(510)	(3,477)	\$ -	(1,249)
Cash provided by investing activities	(510)	(3,477)	-	(1,249)
<b>Increase (decrease) in cash</b>	(249,919)	(1,036,019)	344,494	(590,973)
<b>Cash and cash equivalents, beginning of period</b>	167,586	1,488,390	73,010	1,043,344
<b>Cash and cash equivalents, end of period</b>	\$ 417,505	\$ 452,371	417,505	\$ 452,371

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

# Edgewater Wireless Systems Inc.

## Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(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 202, 11 Hines Road, Kanata 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, 2022, the Company incurred a net loss of \$447,187 and negative cash flow from operating activities of \$367,541. In addition, the Company has negative working capital of \$1,315,189 (October 31, 2021 a negative working capital of \$1,557,880) and an accrued deficit of \$47,063,463 (October 31, 2021, \$46,125,859). As a result, there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern because the continuation of the Company's operations, including product development and marketing activities is dependent upon the Company's ability to successfully fund its working capital requirements through either debt or equity financing.

Management believes it will need to complete additional financing arrangements in sufficient time to complete its planned programs for Fiscal 2023. 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, 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 three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

**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, 2022. 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 2 and are based on the IFRS issued and effective as of April 30, 2022.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 16, 2022.

**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.

**Significant accounting policies**

The accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company’s consolidated financial statements as at and the year ending April 30, 2022.

**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.

## **Edgewater Wireless Systems Inc.**

Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

---

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

#### **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:

Note 14(c) – Share capital transactions

Note 14(d) – Warrants

Note 14(e) – Stock Options

### **3. NEW and REVISED IFRS ACCOUNTING PRONOUNCEMENTS:**

#### **(a) Amendments to IAS 1 – Classification of Liabilities as current or non-current**

On January 23, 2020 the IASB issued amendments to IAS 1 – Presentation of financial statements, providing a more general approach to the classifications of liabilities based on the contractual agreements in place at the reporting date. The amendments apply to annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

#### **(b) Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies**

On February 12, 2021 the IASB issued amendments to IAS 1 – Presentation of financial statements, to assist entities in determining which accounting policies to disclose in the financial statements. The amendments apply to annual reporting periods beginning on or after January 1, 2023. The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies. 2021 Annual Report | Consolidated Financial Statements 43.

#### **(c) Amendments to IAS 8 – Definition of accounting estimates**

On February 12, 2021 the IASB issued amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, to assist entities to distinguish between accounting policies and accounting estimates. The amendments apply to annual periods beginning on or after January 1, 2023. The amendments to IAS 8 replace the definition of a “change in accounting estimates” with a definition of “accounting estimates”. Under the new definition, accounting estimates are

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

### 3. NEW and REVISED IFRS ACCOUNTING PRONOUNCEMENTS (continued)

#### (c) Amendments to IAS 8 – Definition of accounting estimates (continued)

“monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involved measurement uncertainty. The amendments confirm that a change in an accounting estimate that results from new information or new developments is not a correction of an error

### 4. SHORT-TERM INVESTMENT:

At October 31, 2022, the Company had invested \$10,616 in a guaranteed investment certificate bearing an annual interest rate of 0.60% and maturing in November 2022.

### 5. AMOUNTS RECEIVABLE

The composition of amounts receivable was as follows:

	October 31, 2022	April 30, 2022
Trade receivables (net)	\$ 1,793	\$ 7,293
HST receivable	31,754	5,928
	<b>\$ 33,547</b>	<b>\$ 13,221</b>

At October 31, 2022 the Company recognized an allowance for doubtful accounts in the amount of \$Nil (October 31, 2021, \$Nil).

### 6. PROPERTY PLANT and EQUIPMENT

Cost	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2021	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Additions	-	2,228	-	2,228
Balance at October 31, 2021	\$ 175,586	\$ 115,970	\$ 10,799	\$ 302,355
Balance at April 30, 2022	\$ 175,586	\$ 117,219	\$ 10,799	\$ 303,604
Additions	-	510	-	510
<b>Balance at October 31, 2022</b>	<b>\$ 175,586</b>	<b>\$ 117,729</b>	<b>\$10,799</b>	<b>\$ 304,114</b>

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

### 6. PROPERTY PLANT and EQUIPMENT (continued)

Accumulated Depreciation	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
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
Balance at April 30, 2022	\$ 175,586	\$ 114,462	\$10,799	\$300,847
Depreciation	-	733	-	733
<b>Balance at October 31, 2022</b>	<b>\$ 175,586</b>	<b>\$ 115,195</b>	<b>\$ 10,799</b>	<b>\$301,580</b>

Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
October 31, 2021	\$ -	\$3,335	\$ -	\$ 3,335
October 31, 2022	-	2,534	-	2,534

The following table presents the depreciation expense by function for the period ended October 31, 2022 and 2021:

	Six months ended October 31,		Three months ended October 31,	
	2021	2021	2022	2021
Sales and marketing	\$ -	\$ -	\$ -	\$ -
General and administrative	686	2,312	416	2,266
Product development	47	1,073	27	150
Operations	-	-	-	-
	<b>\$ 733</b>	<b>\$ 3,385</b>	<b>\$ 443</b>	<b>\$ 2,416</b>

**Edgewater Wireless Systems Inc.**  
Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

**7. RIGHT OF USE ASSET**

	October 31, 2022	October 31, 2021
Office right-of-use asset:		
Balance at April 30, 2022	\$ 51,377	\$ -
Addition	-	-
Amortization	(7,050)	-
	<b>\$ 44,327</b>	<b>\$ -</b>

**8. INTANGIBLE ASSETS**

Cost	Patents	Computer software	Total
Balance at April 30, 2021	\$9,137,626	\$47,712	\$9,185,038
Disposals during the period	-	-	-
Balance at October 31, 2021 and 2022	\$9,137,626	\$47,712	\$9,185,038

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

Balance at April 30, 2022	\$9,137,626	\$ 47,412	\$9,185,038
Amortization for the period	-	-	-
<b>Balance at October 31, 2022</b>	<b>\$9,137,626</b>	<b>\$ 47,412</b>	<b>\$9,185,038</b>

Net Book Value	Patents	Computer Software	Total
October 31, 2021	\$ -	\$ -	\$ -
October 31, 2022	-	-	-

Amortization expense of \$Nil in the six months ended October 31, 2022 was recorded in the consolidated statement of loss and comprehensive loss.

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

#### 9. ACCOUNTS PAYABLE and ACCRUED LIABILITIES

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

	October 31, 2022	April 30, 2022
Trade accounts payable and accruals	\$ 1,241,073	\$ 1,180,846
Accrued vacation pay	63,167	67,994
Accrued salaries	297,822	291,772
	<b>\$ 1,615,072</b>	<b>\$ 1,540,562</b>

#### 10. LEASE OBLIGATIONS

The Company entered into a three-year office lease at its 11 Hines Road location in Kanata, Ontario with the facility being fully available on the first of May 2022. The present value of the lease using a 15% discount rate, is \$44,327, at the end of October 2022. The lease matures on April 30, 2025.

The following table identifies the undiscounted cash flows for lease obligations for each fiscal period ending October 31:

2023	\$ 10,686
2024	21,372
2025	21,372
	<b>\$ 53,430</b>

Interest expense on lease obligations for the period ending October 31, 2022 was \$3,636 (2021 – \$Nil). The expense relating to variable lease payments not included in the measurement of lease obligations was \$12,618 (2021 – \$Nil).

#### 11. NOTES PAYABLE

	31-July-22	30-Apr-22
Note payable to director issued April 2022 bearing interest at Bank of Canada rate plus 7%, paid quarterly, compounded quarterly if not paid. Note matures April 21, 2023	\$ –	\$ 100,000
Loan payable to the Government of Canada under the Canada Emergency Business Account (CEBA) program, non-interest bearing due December 31, 2021. Effective rate of interest 12% per annum, at 12% from date received	39,121	37,117
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).	11,479	11,513
	<b>50,600</b>	148,630
Less: current portion	50,600	148,630
	<b>\$ –</b>	<b>\$ –</b>

**Edgewater Wireless Systems Inc.**  
Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

**11. NOTES PAYABLE (continued)**

<b>Financial Liabilities</b>	<b>Notes and loan payable</b>	<b>Government Assistance</b>	<b>Total</b>
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

<b>Financial Liabilities</b>	<b>Notes and loan payable</b>	<b>Government Assistance</b>	<b>Total</b>
Balance at April 30, 2022	\$ 148,630	\$ 22,883	\$ 171,513
Changes from financing cash flows			
Payment of notes payable	(100,000)	–	(100,000)
Total changes from financing cash flows	48,630	22,883	71,513
Effects of changes in foreign exchange rates	(34)	–	(34)
Interest expense	2,004	(2,004)	–
Balance at October 31, 2022	\$ 50,600	\$ 20,879	\$ 71,479

**12. LONG TERM DEBT – Convertible debenture**

	<b>Six Month Ended October 31, 2022</b>	<b>Year Ended April 30, 2022</b>
Opening Balance	\$ -	\$ -
Debentures issued	716,000	-
Accrued Interest	11,996	-
Balance at October 31, 2022	\$ 727,996	\$ -

**Edgewater Wireless Systems Inc.**  
Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

**12. LONG TERM DEBT – Convertible debenture (continued)**

On September 1, 2022 the Company signed subscription agreements for CDN \$716,000 non-secured convertible note (the “note”). The note bears annual interest at 10% payable quarterly, in shares or cash, at the discretion of the management. The debenture is convertible at the election of the holders at any time after the date, which is four months following the date of closing of the offering and before the maturity date. The conversion is prices at \$0.12 per share and one common share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.23 per share for a period of three years after the closing date, subject to an acceleration provision that is triggered at eh Company’s elections if daily weighted average price of Company’s shares is over \$0.30 for then (10) consecutive trading days. The potential conversion of the debenture would add 5,966,666 shares to the shares already issued.

**13. KEY MANAGEMENT TRANSACTIONS**

During the six months ended October 31, 2022 and October 31, 2021, 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)).

Senior management personnel are not entitled to any post-employment benefits other than those available to all employees.

During the six months ended October 31, 2022, Q2 FY2023, the directors and officers were granted Nil options (Q2 FY2022 – 1,250,000).

**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

**(b) Issued and outstanding shares**

<b>Common Shares</b>	<b>Number</b>	<b>Amount</b>
Balance, April 30, 2021	186,963,263	\$36,088,391
Balance, October 31, 2021	186,963,263	\$36,088,391
Balance, April 30, 2022	186,963,263	\$36,088,391
<b>Balance, October 31, 2022</b>	<b>186,963,263</b>	<b>\$ 36,088,391</b>

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

#### 14. SHARE CAPITAL (continued)

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

##### (c) Share capital transactions

For the six months ending October 31, 2022, no new shares were issued (2022 – Nil shares were issued on a private placement).

##### (d) Warrants

There was no warrants expiring in the six ending October 31, 2022. On June 30, 2021, 2,281,929 warrants with a strike price of \$0.375 expired. On July 4, 2021, 5,710,000 warrants with a strike price of \$0.20 expired.

	Number	Amount	Price	Expiry date
<b>Balance, April 30, 2021</b>	37,772,810	\$ 1,480,775		
Expired warrants	(7,991,929)	(442,835)		June 30 and July 4, 2021
<b>Balance, October 31, 2021</b>	<b>29,780,881</b>	<b>\$ 1,037,940</b>		
<b>Balance April 30, 2022</b>	29,780,881	\$ 1,037,940		
Expired warrants	-	-		
<b>Balance, October 31, 2022</b>	<b>29,780,881</b>	<b>\$ 1,037,940</b>		

##### 14. (e) Stock Options

The Company's stock option plan provides that total options outstanding be limited to a maximum of 10% of the issued and outstanding common shares, calculated at the time of each grant. Options may be granted to Directors, employees or consultants at the discretion of the Board. The plan further provides that vesting requirements, pricing and term are all established, at the discretion of the Board of Directors, at the time of each grant, subject to a maximum term of 10 years and any regulatory restrictions.

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

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

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

	Options outstanding	Weighted average exercise price	Years to expiry	Options available to exercise	Weighted average exercise price	Years to expiry
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
Balance, April 30, 2022	13,985,001	\$0.1624	4.81	12,184,995	\$0.1661	4.48
Expired	(70,000)	0.2500	0.00	(70,000)	0.2500	0.00
Vested				549,999	0.1350	6.87
<b>Balance, October 31, 2022</b>	<b>13,915,001</b>	<b>\$0.1620</b>	<b>4.34</b>	<b>12,664,994</b>	<b>\$0.1643</b>	<b>4.13</b>

The following table summarizes information about stock options outstanding at October 31, 2022

Exercise price	Options outstanding		Options exercisable	
	Number outstanding October 31, 2022	Weighted average remaining life	Number exercisable October 31, 2022	
\$ 0.0500	2,800,001	2.13	2,800,001	
0.1000	1,060,000	0.61	1,060,000	
0.1350	1,700,000	6.62	1,199,996	
0.1400	2,250,000	6.50	1,499,997	
0.1600	2,435,000	6.02	2,435,000	
0.2700	1,605,000	2.76	1,605,000	
0.3100	2,065,000	4.30	2,065,000	
	13,915,001	4.34	12,664,994	

For the six months ending October 31, 2022 no options were granted. In June 2021, the Board of Directors grants 1,700,000 to consultants, employees and directors of the Company. The options have an exercise price of \$0.135 and a grant date value of \$0.0775 using the Black-Scholes option and pricing method. The risk-free rate at grant date was 0.97%, with a share price volatility estimated at 85% and Nil dividend payments. The expected option life is five (5) years. The share-based payments to directors, employees and consultants effectively serving as employees are reported as general and administrative expense in the consolidated statement of loss.

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

#### 15. CONTRIBUTED SURPLUS

A summary of the contributed surplus at October 31, 2022 and October 31, 2021 and the changes during the six months then ended are presented below:

Balance, April 30, 2021	\$ 7,215,055
Stock base compensation	128,897
Expired warrants	442,835
Balance, October 31, 2021	\$ 7,786,787
Balance, April 30, 2022	\$ 7,881,109
Stock base compensation	35,006
Expired warrants	—
<b>Balance, October 31, 2022</b>	<b>\$ 7,916,115</b>

#### 16. 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 13,915,001 stock options and 29,780,881 warrants outstanding at October 31, 2022 could potentially dilute future earnings per share calculations.

#### 17. 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.

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.

#### 18. 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

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

### 18. OPERATING SEGMENTS (continued)

Company has determined that it has only one operating segment.

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

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

	Six months ended		Three months ended	
	October 31, 2021	October 31, 2021	October 31, 2021	October 31, 2021
Europe	\$ -	\$ 2,843	\$ 2,843	\$ 2,843
North America	1,795	1,257	1,257	1,257
	<b>\$ 1,795</b>	<b>\$ 4,100</b>	<b>\$ 4,100</b>	<b>\$ 4,100</b>

### 19. 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, 2022
Compensation, Employees and Directors	\$ 161,763
Professional, legal and regulatory fees	72,030
Consulting	107,360
Rent	19,668
Travel	14,630

### 20. 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.

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

## 21. 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 approximate 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 of October 31, 2022, the Company had cash of \$417,485 (April 30, 2022, \$167,586) to settle current liabilities of \$1,665,670 (April 30, 2022 - \$1,689,192).

**Edgewater Wireless Systems Inc.**  
Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022  
(Expressed in Canadian dollars)  
(Unaudited)

---

**21. FINANCIAL INSTRUMENTS (continued)**

**(c) Liquidity risk**

The following are contractual maturities of cash flows for financial liabilities at October 31, 2022.

	<u>Future Value</u>	<u>3 months</u>	<u>3-12 Months</u>	<u>1-2 years</u>
Accounts payable and accrued liabilities	\$1,615,070	\$1,551,903	\$ 63,167	\$ -
Note and loan payable – current/long-term	50,600	–	50,600	\$ -
Total	<u>\$1,665,670</u>	<u>\$1,551,903</u>	<u>\$113,767</u>	<u>\$ -</u>

**(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 \$10,635 set to mature in November 2022.

***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, 2022 the Company had the following significant balances denominated in foreign currency: trade receivables (net of allowances), US \$Nil and; accounts payable and notes payable, US\$372,000. A change in the Canadian dollar by 1 percent impacts by the converted US payable by approximately \$5,000.

***Price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company is assessing the tariff implications of material inputs in its manufactured products.

**22. SUBSEQUENT EVENTS**

The Company held its Annual General Meeting (AGM) on November 22, 2022. At that time the following directors were elected to the Board; Brian Imrie, Ralph Garcea and Andrew Skafel. The accounting firm of KPMG LLP were appointed the auditors for the fiscal year 2023.

At the November 2022 Board meeting a total of 1,540,000 options were granted to directors, employees and consultants of the Company. The options have an exercise price of \$0.08 and a grant date value of \$0.075 using the Black –Scholes option and pricing method. The risk-free rate is 3.86%, with a share

## **Edgewater Wireless Systems Inc.**

Notes to Condensed Interim Consolidated Statements

For the three months ended October 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

---

### **22. SUBSEQUENT EVENTS (continued)**

price volatility estimated at 85% and Nil dividend payments. The options expire eight (8) years from the grant date. The expected option life is five (5) years.