



Edgewater Wireless Systems Inc.

Consolidated Financial Statements

April 30, 2022



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Edgewater Wireless Systems Inc.

Opinion

We have audited the consolidated financial statements of Edgewater Wireless Systems Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at April 30, 2022 and April 30, 2021
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2022 and April 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial statements, which indicates that the Entity is in the development stage and no substantial revenue has been generated from its operating activities, and that during the year ended April 30, 2022, the Entity incurred a net loss of \$1,057,599 and negative cash flows from operations of \$1,417,327. In addition, the Entity has a deficit of \$46,616,275 and a working capital deficiency of \$1,626,280.

As stated in Note 1(b) in the financial statements, these events or conditions, along with other matters as set forth in Note 1(b) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew Watson.

Ottawa, Canada

August 29, 2022

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

Consolidated Statements of Financial Position

As at April 30

	2022	2021
Assets		
Current assets:		
Cash	\$ 167,586	\$ 1,488,390
Short-term investment (note 5)	10,616	10,581
Amounts receivable (note 6)	13,221	16,597
Prepaid expenses and deposits	161,179	46,677
	352,602	1,562,245
Property and equipment (note 7)	2,757	3,243
Right of use asset (note 8)	51,377	–
Intangible assets (note 9)	–	–
	54,134	3,243
	\$ 406,736	\$ 1,565,488

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 1,540,562	\$ 2,015,260
Deferred revenue (note 16)	252,119	252,119
Lease obligation (note 11)	14,688	–
Notes and loan payable (note 12)	148,630	12,564
Deferred government assistance (note 12)	22,883	3,700
	1,978,882	2,283,643
Long-term liabilities:		
Lease obligation (note 11)	36,689	–
Notes and loan payable (note 12)	–	33,140
Deferred government assistance (note 12)	–	23,160
Total liabilities	2,015,571	2,339,943
Shareholders' equity (deficiency):		
Share capital (note 14)	36,088,391	36,088,391
Warrants (note 14)	1,037,940	1,408,775
Contributed surplus (note 15)	7,881,109	7,215,055
Deficit	(46,616,275)	(45,558,676)
	(1,608,835)	(774,455)
	\$ 406,736	\$ 1,565,488

Going concern (note 1(b))

Commitments (note 20)

Subsequent event (note 23)

Approved by the Board:

(Signed) "Brian C. Imrie" _____, Director (Signed) "Ralph Garcea" _____, Director

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

Consolidated Statement of Loss and Comprehensive Loss

Years ended April 30

	2022	2021
Revenues (note 16):		
Products	\$ 11,193	\$ -
Services	176	-
	11,369	-
Cost of sales	1,164	-
Gross margin	10,205	-
Expenses:		
Sales and marketing	127,886	184,793
General and administrative	784,650	578,631
Product development	97,349	8,399
Operations	41,949	52,995
	1,051,834	824,818
Finance expense	462	25,677
Finance income	(2,091)	(325)
Foreign exchange (gain) loss	17,599	(76,723)
	15,970	(51,371)
Net loss and comprehensive loss	\$(1,057,599)	\$ (773,447)
Loss per common share:		
Basic and diluted (note 17)	\$ (0.006)	\$ (0.005)
Weighted average number of common shares outstanding:		
Basic and diluted (note 17)	186,963,263	171,061,091

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

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2020	\$ 34,504,658	\$ 2,504,960	\$ 5,634,025	\$ (44,785,229)	\$ (2,141,586)
Share-based payments	–	–	124,971	–	124,971
Shares and warrants issued	1,688,930	459,425	–	–	2,148,355
Share and warrant issue costs	(105,197)	(27,551)	–	–	(132,748)
Warrants expired	–	(1,456,059)	1,456,059	–	–
Net loss and comprehensive loss	–	–	–	(773,447)	(743,447)
Balance, April 30, 2021	\$ 36,088,391	\$ 1,480,775	\$ 7,215,055	\$ (45,558,676)	\$ (774,455)
Share-based payments	–	–	223,219	–	223,219
Warrants expired	–	(442,835)	442,835	–	–
Net loss and comprehensive loss	–	–	–	(1,057,599)	(1,057,599)
Balance, April 30, 2022	\$ 36,088,391	\$ 1,037,940	\$ 7,881,109	\$ (46,616,275)	\$ (1,608,835)

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

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

Consolidated Statement of Cash Flows

Years ended April 30

	2022	2021
Cash flows from operating activities		
Net loss	\$ (1,057,599)	\$ (773,447)
Finance expense	462	25,677
Interest paid	(243)	(45,231)
Items not affecting cash:		
Share-based payments	223,219	124,971
Amortization of intangible assets	–	–
Depreciation of property and equipment	3,963	9,903
Unrealized foreign exchange loss (gain)	11,483	(65,391)
Changes in non-cash operating working capital items:		
Amounts receivable	3,376	(1,472)
Inventories	–	–
Prepaid expenses and deposits	(114,502)	121,287
Deferred revenue	–	–
Accounts payable and accrued liabilities	(487,486)	88,382
Cash used in operating activities	(1,417,327)	(515,321)
Cash flows from financing activities		
Issuance of shares and warrants	–	2,134,417
Shares and warrant issue costs	–	(118,810)
Repayment on notes payable	–	(290,000)
Issuance of notes payable	100,000	200,000
Proceeds from government loan (note 12)	–	60,000
Cash provided by financing activities	100,000	1,985,607
Cash flows from investing activities		
Purchase of equipment	(3,477)	–
Purchase of short-term investment	–	(10,581)
Cash used in investing activities	(3,477)	(10,581)
Increase (decrease) in cash	(1,320,804)	1,459,705
Cash, beginning of year	1,488,390	28,685
Cash, end of year	\$ 167,586	\$ 1,488,390

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

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
Notes Consolidated Financial Statements

Years ended April 30, 2022 and 2021

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 Suite 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. For the year ending April 30, 2022, the Company incurred a net loss of \$1,057,599 and negative cash flow from operating activities of \$1,417,327. In addition, the Company had a deficit of \$46,616,275 and a working capital deficiency of \$1,626,280 at April 30, 2022. As a result, there are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. 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 consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis 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 consolidated statement of financial position classifications used.

Edgewater Wireless Systems Inc.
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Years ended April 30, 2022 and 2021

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 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.

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:

- Note 14(c) – Share capital transactions
- Note 14(d) -- Warrants
- Note 14(e) – Stock Options
- Note 18 – Income taxes

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
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Years ended April 30, 2022 and 2021

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, 2022 comprise the accounts of the Company and its subsidiaries. 7781911 Canada Ltd. (formerly as 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) 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.

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
Notes Consolidated Financial Statements

Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) Intangible assets

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

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

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

Patents	6 years
Computer software	3 years

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
Notes Consolidated Financial Statements

Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) 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.

(h) 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.

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

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
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Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes (continued)

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.

(i) Government assistance

Government assistance is recorded as a reduction of the related expense or as a reduction of the cost of the related asset. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation provided there is reasonable assurance of realization.

(j) Financial instruments

(i) Initial measurement and classification

Financial assets: The Company initially recognizes amounts receivable on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
Notes Consolidated Financial Statements

Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities: The Company initially recognizes debt liabilities on the date that they are originated. All other financial liabilities are recognized initially on the date at which the Company become party to the contractual provisions of the instrument. Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

(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 Receivable	Assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Notes payable	Financial liabilities at amortized cost

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.

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(All amounts expressed in Canadian Dollars)
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Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Compound financial instruments:

The Company does not currently have any compound financial instruments.

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

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

(iv) Fair value measurement:

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

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

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

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

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

(v) Impairment of financial assets:

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

(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.

Edgewater Wireless Systems Inc.
(All amounts expressed in Canadian Dollars)
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Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iv) Fair value measurement:

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

(v) Impairment of financial assets:

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

(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 the Barrier option pricing model at the time of their issuance. If warrants are exercised, a pro-rata portion of the amount recognized at their original issuance is transferred to common shares. If warrants expire unexercised, the amount recognized at their original issuance is transferred to contributed surplus.

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

(k) Share-based payment transactions

For stock options that vest immediately, compensation expense is recorded based on the estimated fair value of the stock options at the grant date using the Black-Scholes option valuation model. For stock options granted which vest over time, the Company calculates the grant-date fair value of the share-based payment and recognizes the expense over the period that the recipients become unconditionally entitled to the awards. In both cases, the corresponding credit is recorded in contributed surplus. At each calculation of expense, an estimate is made of the number of options expected to ultimately be exercised. Where the

Years ended April 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share-based payment transactions (continued)

expense relates to options granted to employees, the grant date fair value is not adjusted in future periods.

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

(l) Warranty

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

(m) Leases

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 the period covered by an option to extend if the Company is reasonably certain to use the option.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted 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 re-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 asset or is recorded in profit or loss if the carrying amount of the right-of-use asset 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 limited 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.

(o) Loss per share

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

4. NEW and REVISED IFRS ACCOUNTING PRONOUNCEMENTS:

The IASB and International Financial Reporting Interpretations Committee (IFRIC) issued the following standards that have not been applied in preparing these consolidated financial statements, as their effective dates fall within annual periods beginning after the current reporting period.

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4. NEW and REVISED IFRS ACCOUNTING PRONOUCEMENTS (continued)

(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 “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

5. SHORT-TERM INVESTMENT

At April 30, 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.

6. AMOUNTS RECEIVABLE

The composition of amounts receivable was as follows:

	2022	2021
Trade receivables (net)	\$ 7,293	\$ –
HST receivable	5,928	16,597
	\$ 13,221	\$ 16,597

At April 30, 2022, the Company recognized a loss allowance for doubtful accounts in the amount of \$Nil (April 30, 2021, \$Nil).

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7. PROPERTY AND EQUIPMENT

Cost	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2020	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Additions	–	–	--	–
Balance at April 30, 2021	\$ 175,586	\$ 113,742	\$ 10,799	\$ 300,127
Additions	–	3,477	–	3,477
Balance at April 30, 2022	\$ 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 for the year	991	8,912	–	9,903
Balance at April 30, 2021	\$ 175,586	\$ 110,499	\$ 10,799	\$ 296,884
Depreciation for the year	–	3,963	–	3,963
Balance at April 30, 2022	\$ 175,586	\$ 114,462	\$ 10,799	\$ 300,847

Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
April 30, 2021	\$ –	\$ 3,243	\$ –	\$ 3,243
April 30, 2022	–	2,757	–	2,757

The following table presents the depreciation expense by function for the years ended April 30, 2022 and 2021:

	2022	2021
General and administrative	\$ 2,882	\$ 8,629
Product development	1,081	1,274
Operations	–	–
	\$ 3,963	\$ 9,903

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8. RIGHT OF USE ASSET

	2022
Office right-of-use asset:	
Balance at April 30, 2021	\$ –
Addition	51,377
Amortization	–
Balance at April 30, 2022	\$ 51,377

9. INTANGIBLE ASSETS

Cost	Patents	Computer software	Total
Balance at April 30, 2020	\$ 9,137,626	\$ 47,412	\$ 9,185,038
Additions during the year	–	–	–
Balance at April 30, 2022 and 2021	\$ 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 for the year	–	–	–
Balance at April 30, 2021	\$ 9,137,626	\$ 47,412	\$ 9,185,038
Amortization for the year	–	–	–
Balance at April 30, 2022	\$ 9,137,626	\$ 47,412	\$ 9,185,038

Net Book Value	Patents	Computer software	Total
April 30, 2021	\$ –	\$ –	\$ –
April 30, 2022	–	–	–

Amortization expense of \$Nil for 2022 (\$Nil in 2021) was recorded in the consolidated statement of loss and comprehensive loss.

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2022	2021
Trade accounts payable and accruals	\$ 1,180,846	\$ 1,541,810
Accrued vacation pay	67,994	80,830
Accrued salaries and commissions	291,722	392,620
	\$ 1,540,562	\$ 2,015,260

11. 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 \$51,377, at the end of April 2022. The lease matures on April 30, 2025.

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

2023	\$ 21,372
2024	21,372
2025	21,372
	\$ 64,116

Interest expense on lease obligations for 2022 was \$Nil (2021 – \$Nil). The expense relating to variable lease payments not included in the measurement of lease obligations was \$Nil (2021 – \$Nil). Expenses relating to short-term leases were \$41,199 (2021 – \$52,995) and expenses relating to leases of low value assets were not material. Total cash outflow for leases was \$41,199 (2021 – \$52,995).

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12. NOTES AND LOAN PAYABLE

	2022	2021
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 on April 21, 2023	\$ 100,000	\$ -
Loan payable to 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.	37,117	33,140
Note payable issued September 2015 non-interest bearing, effective rate of 6.0% per annum, payable on demand in one payment of \$11,513 (Euro 8,502).	11,513	12,564
	148,630	45,704
Less: current portion	148,630	12,564
	\$ -	\$ 33,140

The Company applied and received \$60,000 under the CEBA program offered by the Government of Canada. The CEBA loan is non-interest bearing for an initial term ending December 31, 2022. If the loan is fully repaid by December 31, 2022, \$20,000 of the loan will be forgiven. After December 31, 2022, the CEBA amount will be converted to a Term Loan bearing interest at 5% per annum, with a maturity date of December 31, 2025. The Company has applied an interest rate of 12% in calculating the fair value of the interest free loan. The \$28,659 residual was recorded as deferred government assistance. During the year ended April 30, 2022, the Company recorded interest accretion of \$3,977 (2021 - \$1,799) with a corresponding offset in relation to the recognition of government assistance.

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12. NOTES AND LOAN PAYABLE (continued)

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	200,000	–	200,000
Proceeds from government loan	31,341	28,659	60,000
Repayment of notes payable	(290,000)	–	(290,000)
Total changes from financing cash flows	63,806	28,659	92,465
Effects in change of foreign exchange rates	(347)	–	(347)
Interest expense	27,111	(1,799)	25,312
Interest paid	(44,866)	–	(44,866)
Balance at April 30, 2021	\$ 45,704	\$ 26,860	\$ 72,564
Changes from financing cash flows			
Issuance of notes payable	100,000	–	100,000
Total changes from financing cash flows	100,000	26,860	100,000
Effects of changes in foreign exchange rates	(1,051)	–	(1,051)
Interest expense	3,977	(3,977)	–
Balance at April 30, 2022	\$ 148,630	\$ 22,883	\$ 171,513

During the year, a director loaned the Company \$100,000 to assist in the day-to-day operations. The loan has an interest rate of Bank of Canada rate plus 7%.

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13. KEY MANAGEMENT PERSONNEL AND DIRECTORS COMPENSATION

During the years ended April 30, 2022 and 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 12(e)).

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

During the year ended April 30, 2022, the directors and officers were granted 1,250,000 options (2021 – 1,675,000).

	2022	2021
Compensation and benefits	\$ 245,401	\$ 210,764
Share-based payments	162,992	95,565
	\$ 408,393	\$ 306,329

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

Common Shares	Number	Amount
Balance, April 30, 2020	169,738,630	\$ 34,504,658
Issued on private placement for cash	17,224,633	1,688,930
Share issue costs	-	(105,197)
Balance, April 30, 2021	186,963,263	\$ 36,088,391
Balance, April 30, 2022	186,963,263	\$ 36,088,391

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14. SHARE CAPITAL (continued)

(b) Issued and outstanding shares

Preferred Shares -- There were no preferred shares of either series issued or outstanding at the dates of the statements of financial position presented.

(c) Share capital transactions

No new shares were issued for the twelve (12) months ending April 2022.

In FY 2021, the company issued 17,224,633 units via two private subscriptions. A total of 6,985,752 units were issued at a price of \$0.115 per unit for a total consideration of \$749,628, net of costs and finder fees in Subscription 1. These units comprised of one share and one share purchase warrant with a strike price of \$0.23 for a period of 24 months. A director and an officer participated in the subscription for a total of 270,000 units or \$31,050.

Finder fees and legal costs of \$60,556 were incurred in closing the sale of the units of which \$6,822 of finder fees were settled through the issuance of 297,104 warrants, \$46,732 were deducted from proceeds and \$7,002 were paid in cash.

In the second private subscription a total of 10,238,881 units were issued at a price of \$0.13 per unit for total consideration of \$1,265,979 net of costs and finder fees. These units comprised one share and one share purchase warrant with a strike price of \$0.23 for a period of 24 months. A director and an officer participated in the subscription for 1,450,000 units or \$188,500.

Finder fees and legal costs of \$72,192 were incurred in closing the sale of units of which \$7,116 of finder fees were settled through the issuance of 258,748 warrants, \$56,675 were deducted from proceeds and \$8,401 were paid in cash.

The total consideration received was allocated to Share Capital and Warrants on a relative fair value basis. The fair value of the warrants was determined using the Black Scholes pricing model based on the values identified below. The total finders' fees and legal costs were allocated to Share Capital and Warrants on a pro-rata basis pursuant to the allocation of the proceeds from the sale of the Units. As a result, total consideration of \$155,048 under the subscription was allocated to the warrants. For the \$0.13 subscription, \$276,826 of the total was allocated to the warrants.

	Subscription 1	Subscription 2
Risk-free rate	0.24%	0.30%
Average expected warrant life	2.0 years	2.0 years
Share price volatility (estimated)	90%	90%
Expected dividend payments	Nil	Nil

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14. SHARE CAPITAL (continued)

(d) Warrants

	Number	Amount	Price	Expiry date
Balance, April 30, 2020	33,928,138	\$2,504,960		
Issue on private placement	17,780,485	459,425	\$0.230	March 30, April 1, April 26, 2023
Issue costs		(27,551)		
Warrants expired	(13,935,813)	(1,456,059)		
Balance, April 30, 2021	37,772,810	\$1,480,775		
Warrants expired	(7,991,929)	(442,835)		
Balance, April 30, 2022	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.

In June 2021, the Board of Directors granted 1,700,000 options to employees, consultants and directors (2021 – 2,250,000) of the Company. The June 2021 options have an exercise price of \$0.135 (2021 - \$0.14). These have a grant date value of \$0.0775 (2021 - \$0.1060) using the Black-Scholes option and pricing method.

	2022	2021
Risk-free rate	0.97%	0.94%
Average expected option life	5.0 years	5.0 years
Share price volatility (estimated)	85.0%	85.0%
Expected dividend payments	Nil	Nil
Forfeiture rate	Nil	Nil

The expense related to share-based payments to directors, employees and consultants effectively serving as employees is reported as general and administrative expense in the consolidated statement of loss and comprehensive loss and amounted to \$223,219 (2021 - \$124,971).

The following table summarizes information about option activity for the years ended April 30, 2022 and 2021:

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14. SHARE CAPITAL (continued)

(e) Stock options (continued)

	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
Granted	2,250,000	0.140	8.00	749,998	0.140	8.00
Vested, granted previously				1,150,900 83,333	0.160 0.085	7.53 0.73
Forfeiture and cancellations	(125,000)	0.160	7.53	(82,500)	0.160	7.53
	(150,000)	0.270	4.63	(150,000)	0.270	4.63
	(75,000)	0.310	5.80	(75,000)	0.310	5.80
Balance, April 30, 2021	14,617,501	\$0.1669	4.78	13,034,165	0.1705	4.43
Granted	1,700,000	0.135	7.13	749,999	0.135	7.13
Vested, previously granted				83,334 649,997 749,999	0.085 0.135 0.140	- 7.13 7.00
Forfeiture and cancellations	(250,000)	0.050	2.63	(250,000)	0.050	2.63
	(250,000)	0.085	0.75	(250,000)	0.085	0.75
	(250,000)	0.100	1.01	(250,000)	0.100	1.01
	(950,000)	0.160	5.80	(950,000)	0.160	5.80
	(212,500)	0.270	3.21	(212,500)	0.270	3.21
	(420,000)	0.310	4.80	(420,000)	0.310	4.80
Balance, April 30, 2022	13,985,001	\$0.1624	4.81	12,184,995	\$0.1661	4.48

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14. SHARE CAPITAL (continued)

(e) Stock Options (continued)

The following table summarizes information about stock options outstanding at April 30, 2022.

Exercise price	Options outstanding		Options exercisable
	Number outstanding April 30, 2022	Weighted average remaining life	Number exercisable April 30, 2022
\$ 0.0500	2,800,001	2.63	2,800,001
0.1000	1,060,000	1.01	1,060,000
0.1350	1,700,000	7.13	649,997
0.1400	2,250,000	7.00	1,499,997
0.1600	2,435,000	6.53	2,435,000
0.2500	70,000	0.07	70,000
0.2700	1,605,000	3.21	1,605,000
0.3100	2,065,000	4.80	2,065,000
	13,985,001	4.81	12,184,995

15. CONTRIBUTED SURPLUS

Balance, April 30, 2020	\$ 5,634,025
Stock based compensation expense	124,971
Warrants expired	1,456,059
Balance, April 30, 2021	\$ 7,215,055
Stock based compensation expense	223,219
Warrants expired	442,835
Balance, April 30, 2022	\$ 7,881,109

16. REVENUE

Changes in unearned revenue are as follows:

For the twelve months ended April 30,	2022	2021
Unearned revenue, beginning of period	\$252,119	\$252,119
Amounts invoiced and revenue deferred	—	—
Recognition of unearned revenue in the current period	—	—
Unearned revenue, end of the period	\$252,119	\$252,119

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17. LOSS PER COMMON SHARE

The calculation of loss per common share for the year ended April 30, 2022 was based on the loss of \$1,068,119 (2021 - loss of \$773,447) and a weighted average number of common shares outstanding of 186,963,263 (2021 – 171,061,091) calculated as follows.

Common shares	
Outstanding, April 30, 2020	169,738,630
Effect of shares issued under private placement options exercised	1,322,461
Weighted average number of shares, year ended April 30, 2021	171,061,091
Outstanding, April 30, 2021	186,963,263
Effect of shares issued under private placement and options and warrants exercised	–
Weighted average number of shares, year ended April 30, 2022	186,963,263

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 14,617,501 stock options and 29,780,881 warrants outstanding at April 30, 2022 could potentially dilute future earnings per share calculations.

18. INCOME TAXES

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 in respect of the following items:

	2022	2021
Non-capital losses carried forward	\$ 20,353,999	\$ 19,395,159
Net capital losses carried forward	4,638,607	4,638,607
Scientific research and experimental development	1,773,990	1,773,990
Fixed assets and development costs	375,990	371,430
Common shares and warrant issuance costs	106,550	2,234,883
	\$ 27,248,539	\$ 26,414,069

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18. INCOME TAXES (continued)

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial income tax rates to the net loss, as follows:

	2022	2021
Tax Rate	26.50%	26.50%
Expected Canadian income tax recovery	\$ (280,264)	(204,963)
Changes in unrecognized temporary differences	221,112	203,554
Amortization of share issue costs	(31,485)	(31,485)
Stock based compensation	59,152	33,117
Accretion of debt	-	174
Other (adjustments from prior years)	-	(397)
	\$ -	\$ -

At April 30, 2022, the Company had non-capital losses available to reduce future years' income for Canadian tax purposes which expire as follows:

Available until	Amount
2027	\$ 590,036
2031	21,937
2032	442,059
2033	3,890,348
2034	203,857
2035	1,447,681
2036	1,349,543
2037	1,811,056
2038	2,736,026
2039	2,613,474
2040	2,262,672
2041	1,468,030
2042	904,447
2043	612,833
	\$20,353,999

The Company has federal and provincial investment tax credits of \$543,000 available to reduce future years' income tax payable for Canadian tax purposes which begin to expire in 2033.

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19. OPERATING SEGMENTS

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

The Company derives all of its revenues from a single product segment being wireless access points and associated peripheral equipment and services. The Company derives its revenues globally and 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:

	2022	2021
North America	\$ 8,525	\$ —
Europe	2,843	—
	\$ 11,368	\$ —

20. 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.

	2022	2021
Compensation, Employees and Directors	\$ 551,349	\$ 345,649
Advertising and promotion	16,381	117,757
Depreciation and Amortization	3,963	9,903
Consulting Fees	218,500	52,741
Materials	1,983	—
Travel	7,082	(308)
Professional, legal and regulatory fees	136,573	175,672

21. COMMITMENTS

The Company is aware of a possible claim that may exist against the Company which relates to a fractional interest that one of the predecessor companies to EWSI had acquired in an oil well. The history of this transaction dates from the 1980's. Initially, the potential claimant proposed a quit claim settlement which the Company agreed to in an amount of \$6,991. Settlement is pending, no estimate of any additional claims can be made at this time. That amount has been established in accrued liabilities.

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22. 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 plans to 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.

22. 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 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 are assessed at a Level 2.

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

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22. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Credit risk is the risk of loss associated with the debtor's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and trade receivables. Cash and cash equivalents, if any, include investment-grade short term guaranteed investment certificates which have been invested with the Company's banking institution, from which management believes the risk of loss to be minimal. Management believes that the credit risk concentration with respect to trade receivables is minimal. Credit terms vary among customers. Depending on circumstances, the Company's typical policy would usually provide for up to a 30% deposit upon receipt of an order with the balance due 30-90 days after delivery. Standard practice also includes the seeking of an approved credit limit under a receivables insurance policy with Export Development Canada which can provide coverage of up to 90%.

The Company maintains a provision in allowance for anticipated bad debts. As at April 30, 2022 the company had concentrated risk limited to the government and with one client which accounted for 55% of its trade receivables. There were no unbilled revenues at April 30, 2022 or 2021.

As at April 30, 2022 the Company's aging of its trade receivables was 0% (2021 – 0%) under sixty days, 0% (2021 – 0%) between 60 and 90 days and 100% (2021 – 0%) over 90 days and the allowance for doubtful accounts of \$Nil (2021 - Nil).

(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 April 30, 2022, the Company had cash and cash equivalents of \$167,586 (April 30, 2021, \$1,488,390) to settle current liabilities of \$1,964,194 (April 30, 2021 - \$2,279,943).

The following are contractual maturities of cash flows for financial liabilities at April 30, 2022.

	Current Value	3 months	3-12 Months	1-2 years
Accounts payable and accrued liabilities	\$1,540,562	\$1,472,568	\$ 67,994	\$ -
Notes and loan payable – current/long-term	148,630	137,117	11,513	\$ -
Total	\$1,689,192	\$1,609,685	\$79,507	\$ -

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22. FINANCIAL INSTRUMENTS (continued)

(d) Market risk

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

(i) Interest rate risk

The Company is not exposed to any significant interest rate risk.

(ii) Currency risk

The Company's functional currency is the Canadian dollar. The majority of expenses are transacted in Canadian dollars whereas the revenues in the 2022 fiscal year were transacted in US dollars. A portion of the Company's revenues and some operating costs are realized in other currencies primarily the U.S. dollar. As a result, the Company is exposed to currency risk on these transactions. Also, additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the Consolidated Statements of Financial Position; the impact of which is reported as a foreign exchange gain or loss.

The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. The Company does so by attempting to match foreign denominated assets with foreign denominated liabilities.

The Company is primarily exposed to fluctuations between the U.S. and Canadian dollars. For the year ending April 30, 2022 if the U.S. dollar had strengthened 1% against the Canadian dollar with all other variables held constant, pre-tax loss for the year would have been approximately \$5,000 lower (2021 - \$5,000 lower). Conversely, if the U.S. dollar had weakened by this same amount against the Canadian dollar with all other variables held constant, there would have been an equal, and opposite impact, on pre-tax loss.

At April 30, 2022, the Company had the following balances denominated in foreign currency: cash, US\$5,653; trade receivables (net of allowances), US\$5,704, accounts payable and accrued liabilities, US\$381,250 and notes payable of EUR €8,502.

23. SUBSEQUENT EVENT

In August 2022 the Company issued \$716,000 of convertible debentures bearing an interest rate of 10% per annum payable, quarterly in shares or cash at the discretion of 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 priced at \$0.12 per share and one common share purchase warrant entitling the holder to purchase one additional common share of the Company at 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 the Company's election if daily weighted average price of Company's shares is over \$0.30 for ten (10) consecutive trading days.

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23. SUBSEQUENT EVENT (continued)

Subject to TSX Venture Exchange (“**TSXV**”) acceptance, any interest that has accrued on the principal amount outstanding under the Debenture will be payable in Shares at a price per share which equals the higher of the ‘Market Price’ (as that term is defined in the policies of the TSXV) on the date the accrued interest becomes payable or the volume weighted average trading price of the Shares on the TSXV for the 10 consecutive trading days preceding the date the accrued interest becomes payable.

The Note payable to a director, as identified in Note 12, was repaid in August.