



**Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Financial Statements

Six months ended October 31, 2023 and October 31, 2022

(Unaudited)

## **Edgewater Wireless Systems Inc.**

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

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

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

### **Auditor involvement**

The auditor of Edgewater Wireless Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and six month periods October 31, 2023 and October 31, 2022.

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

**Condensed Interim Consolidated Statements of Financial Position**

	October 31, 2023	April 30, 2023
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 34,505	\$ 81,098
Short-term investments (note 4)	10,854	10,791
Amounts receivable (note 5)	33,498	24,561
Prepaid expenses and deposits	148,523	170,749
	<u>227,380</u>	<u>287,199</u>
<b>Property and equipment (note 6)</b>	<b>1,287</b>	<b>1,952</b>
<b>Right of use asset (7)</b>	<b>25,689</b>	<b>34,251</b>
<b>Intangible assets (note 8)</b>	<b>-</b>	<b>-</b>
	<u>26,976</u>	<u>36,203</u>
	<b>\$ 254,356</b>	<b>\$ 323,402</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 9)	\$ 2,078,940	\$ 1,696,417
Deferred revenue (note 16)	252,119	252,119
Lease obligation (note 10)	18,315	17,000
Convertible debentures (note 12)	11,674	12,031
Note and loan payable (note 11)	51,853	49,819
Deferred government assistance (note 11)	20,637	22,883
	<u>2,433,538</u>	<u>2,050,269</u>
<b>Long-term liabilities:</b>		
Lease obligation (note 10)	10,234	19,732
Debentures, convertible (note 12)	273,150	347,282
Total liabilities	<u>2,716,922</u>	<u>2,417,283</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (note 14)	36,154,813	36,118,718
Warrants (note 14)	799,502	984,569
Contributed surplus (note 15)	8,427,165	8,218,551
Deficit	<u>(47,844,045)</u>	<u>(47,415,719)</u>
	<u>(2,462,566)</u>	<u>(2,093,881)</u>
	<b>\$ 254,356</b>	<b>\$ 323,203</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,	
	2023	2022	2023	2022
<b>Revenues</b>				
<b>Products</b>	\$ 11,605	\$ -	\$ -	\$ -
<b>Services</b>	1,744	1,795	-	1,795
	<b>13,354</b>	1,795	-	1,795
<b>Cost of Sales</b>	<b>(1,042)</b>	-	<b>(20)</b>	-
<b>Gross Margin</b>	<b>12,312</b>	1,795	<b>20</b>	1,795
<b>Expenses</b>				
Sales and marketing	42,098	41,751	25,866	16,805
General and administrative	389,373	331,104	270,867	191,072
Product development	9,960	8,467	4,303	6,412
Operations	23,444	19,668	12,834	9,900
	<b>464,875</b>	400,990	<b>313,870</b>	224,189
Change in Fair value of convertible debenture (note 13)	<b>(38,394)</b>		<b>(2,644)</b>	
Finance expense:				
Interest	2,604	17,994	1,256	14,000
Finance income	(70)	(3,315)	-	(2,910)
Foreign exchange	11,623	33,313	26,072	32,544
	<b>(24,237)</b>	47,992	<b>24,684</b>	43,634
<b>Net loss and comprehensive loss</b>	<b>\$(428,326)</b>	\$(447,187)	<b>\$(338,534)</b>	\$(266,028)
<b>Loss per common share</b>				
Basic and diluted (note 16)	<b>\$(0.002)</b>	\$(0.002)	<b>\$(0.002)</b>	\$(0.001)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	<b>187,871,020</b>	186,963,263	<b>187,979,401</b>	186,963,263

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

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

	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, April 30, 2022</b>	\$36,088,931	\$ 1,037,940	\$ 7,881,109	\$ (46,616,275)	\$ (1,608,835)
Share-based payments	-	-	35,006	-	35,006
Warrants expired	-	-	-	-	-
Net Loss and comprehensive loss	-	-	-	(447,188)	(447,188)
<b>Balance, October 31, 2022</b>	\$36,088,391	\$ 1,037,940	\$ 7,916,115	\$ (47,063,463)	\$ (2,021,017)
<b>Balance, April 30, 2023</b>	\$36,118,718	\$ 984,569	\$ 8,218,551	\$ (47,415,719)	\$ (2,093,881)
Shares issued to settle interest on convertible debenture	36,095	-	-	-	36,095
Share-based payments	-	-	23,547	-	23,547
Expired warrants	-	(185,067)	185,067	-	-
Net loss and comprehensive loss for the period	-	-	-	(428,326)	(428,326)
<b>Balance, October 31, 2023</b>	<b>\$36,154,813</b>	<b>\$799,502</b>	<b>\$ 8,427,165</b>	<b>\$ (47,844,045)</b>	<b>\$ (2,462,565)</b>

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**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,	
	2023	2022	2023	2022
<b>Cash flows from operating activities</b>				
Net loss	\$ (428,326)	\$ (447,187)	\$ (338,535)	\$ (266,028)
Items not affecting cash:				
Share-based payments	23,547	35,006	10,313	14,730
Change in fair value of convertible debenture	(38,394)		(2,644)	
Depreciation of property and equipment	665	733	333	443
Interest	2,605	(2,004)	1,258	(1,002)
Amortization of right-of-use	8,562		4,281	
Changes in non-cash operating working capital items:				
Interest paid	(2,605)	-	(1,258)	-
Other receivables	(8,937)	20,326	(21,200)	(28,278)
Prepaid expenses and deposits	22,226	(8,271)	15,806	(6,130)
Deferred government assistance	(2,246)	-	(2,246)	-
Unrealized foreign exchange	11,794	30,467	25,922	30,689
Unrealized foreign exchange on debt	(212)	-	148	-
Accounts payable and accrued Liabilities	370,728	44,041	(292,919)	(17,478)
Cash used in operating activities	(40,593)	(367,541)	(14,903)	(272,874)
<b>Cash flows from financing activities</b>				
Convertible debenture	-	716,000	-	716,000
Lease obligation payments	(8,193)	-	(4,167)	-
Note Payable	2,246	(98,030)	2,246	(98,631)
Cash provided by financing activities	(5,937)	617,970	(1,921)	617,369
<b>Cash flows from investing activities</b>				
Short-term investment	(63)	-	-	-
Purchase of equipment	-	(510)	-	-
Cash provided by investing activities	(63)	(510)	-	-
<b>Increase (decrease) in cash</b>	(46,593)	249,919	(16,824)	344,494
<b>Cash and cash equivalents, beginning of period</b>	81,098	167,586	51,329	73,010
<b>Cash and cash equivalents, end of period</b>	\$ 34,505	\$ 417,505	\$ 34,505	\$ 417,505

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

# Edgewater Wireless Systems Inc.

## Notes to Condensed Interim Consolidated Statements

For the six months ended October 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

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### 1. ORGANIZATION AND GOING CONCERN

#### (a) Organization

Edgewater Wireless Systems Inc. (the "Company") was incorporated on January 8, 1980 under the British Columbia Company Act and continued on January 22, 1987 under the Canada Business Corporations Act. The Company's main activity is developing and commercializing leading edge technologies and intellectual property for the communications market. The address of the Company's head office is Unit 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, 2023, the Company incurred a net loss of \$428,326 and negative cash flow from operating activities of \$40,593. In addition, the Company has negative working capital of \$2,206,159 (October 31, 2022 a negative working capital of \$1,303,223) and an accrued deficit of \$47,844,044 (October 31, 2022, \$47,063,463). 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 2024. 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.**  
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**2. BASIS OF PRESENTATION**

**Statement of compliance**

These unaudited condensed interim consolidated financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements are condensed as they do not include all of the information required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 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, 2023.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 22, 2023.

**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, 2023.

**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 six months ended October 31, 2023  
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### **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.

The estimation uncertainty related to the convertible debentures (note 12) issued during the year relates to the selection of the method and assumptions that may lead to differences between the actual value of the convertible debentures instruments and their estimated fair value which is being measured at fair value through profit and loss, using a Partial Differential Equations method (refer to note 23 for significant assumptions).

Note 14(c) – Share capital transactions

Note 14(d) – Warrants

Note 14(e) – Stock Options

### **3. 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.

#### **(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. The Company is evaluating the potential impact of this amendment on the classification of its debenture.

#### **(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,

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

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

instead of its significant accounting policies. We do not expect a material impact due to the adoption.

#### (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.

### 4. SHORT-TERM INVESTMENT:

At October 31, 2023, the Company had invested \$10,854 in a guaranteed investment certificate bearing an annual interest rate of 3.50% and maturing in December 2023.

### 5. AMOUNTS RECEIVABLE

The composition of amounts receivable was as follows:

	October 31, 2023	April 30, 2023
Trade receivables (net)	\$ -	\$ 5,778
HST receivable	33,498	18,783
	<b>\$ 33,498</b>	<b>\$ 24,561</b>

At October 31, 2023 the Company recognized an allowance for doubtful accounts in the amount of \$Nil (October 31, 2022, \$Nil).

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the six months ended October 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

### 6. PROPERTY PLANT and EQUIPMENT

<b>Cost</b>	<b>Laboratory equipment</b>	<b>Computer hardware</b>	<b>Furniture and fixtures</b>	<b>Total</b>
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>
Balance at April 30, 2023	\$ 175,586	\$ 117,729	\$ 10,799	\$ 304,114
Additions	-	-	-	-
<b>Balance at October 31, 2023</b>	<b>\$ 175,586</b>	<b>\$ 117,729</b>	<b>\$ 10,799</b>	<b>\$ 304,114</b>

<b>Accumulated Depreciation</b>	<b>Laboratory equipment</b>	<b>Computer hardware</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Balance at April 30, 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>
Balance at April 30, 2023	\$ 175,586	\$ 115,777	\$ 10,799	\$ 302,162
Depreciation	-	665	-	665
<b>Balance at October 31, 2023</b>	<b>\$ 175,586</b>	<b>\$ 116,442</b>	<b>\$ 10,799</b>	<b>\$ 302,827</b>

<b>Net Book Value</b>	<b>Laboratory equipment</b>	<b>Computer hardware</b>	<b>Furniture and fixtures</b>	<b>Total</b>
October 31, 2022	\$ -	\$ 2,534	\$ -	\$ 2,534
October 31, 2023	-	1,287	-	1,287

The following table presents the depreciation expense by function for the period ended October 31, 2023 and 2022:

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales and marketing	\$ -	\$ -	\$ -	\$ -
General and administrative	616	686	314	416
Product development	49	47	18	27
Operations	-	-	-	-
	<b>\$ 665</b>	<b>\$ 733</b>	<b>\$ 332</b>	<b>\$ 443</b>

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the six months ended October 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

### 7. RIGHT OF USE ASSET

	October 31, 2023	October 31, 2022
Office right-of-use asset:		
Balance at April 30, 2022	\$ 51,377	\$ 51,377
Addition	-	-
Amortization	(25,688)	(7,050)
	<b>\$ 25,689</b>	<b>\$ 44,327</b>

### 8. INTANGIBLE ASSETS

Cost	Patents	Computer software	Total
Balance at April 30, 2022	\$9,137,626	\$47,712	\$9,185,038
Disposals during the period	-	-	-
Balance at October 31, 2022 and 2023	\$9,137,626	\$47,712	\$9,185,038

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2022	\$9,137,626	\$47,412	\$9,185,038
Amortization during the Period	-	-	-
Balance at October 31, 2022	\$9,137,626	\$47,412	\$9,185,038

Balance at April 30, 2023	\$9,137,626	\$ 47,412	\$9,185,038
Amortization for the period	-	-	-
<b>Balance at October 31, 2023</b>	<b>\$9,137,626</b>	<b>\$ 47,412</b>	<b>\$9,185,038</b>

Net Book Value	Patents	Computer Software	Total
October 31, 2022	\$ -	\$ -	\$ -
October 31, 2023	-	-	-

Amortization expense of \$Nil in the six months ended October 31, 2023 was recorded in the consolidated statement of loss and comprehensive loss.

## Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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(Expressed in Canadian dollars)

(Unaudited)

### 9. ACCOUNTS PAYABLE and ACCRUED LIABILITIES

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

	October 31, 2023	April 30, 2023
Trade accounts payable and accruals	\$ 1,575,692	\$ 1,308,290
Accrued vacation pay	52,821	53,511
Accrued salaries	450,426	334,616
	<b>\$ 2,078,039</b>	<b>\$ 1,696,417</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 \$28,549, at the end of October 2023. 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:

2024	\$8,905
2025	21,372
	<b>\$ 30,277</b>

Interest expense on lease obligations for the period ending October 31, 2023 was \$2,502 (2022 – \$3,636). The expense relating to variable lease payments not included in the measurement of lease obligations was \$2,830 (2022 – \$Nil).

	2023	2022
Current	\$ 18,315	\$ 15,778
Non-current	10,234	28,549
Total lease obligations	<b>\$ 28,549</b>	<b>\$ 44,327</b>

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**11. NOTES PAYABLE**

	31-Oct-23	30-Apr-23
Loan payable to the Government of Canada under the Canada Emergency Business Account (CEBA) program, non-interest bearing due January 18, 2024. Effective rate of interest 12% per annum, at 12% from date received	39,362	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).	12,491	12,702
	<b>51,853</b>	49,819
Less: current portion	51,853	49,819
	<b>\$ -</b>	<b>\$ -</b>

Financial Liabilities	Notes and loan payable	Government Assistance	Total
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	\$ 72,191

Financial Liabilities	Notes and loan payable	Government Assistance	Total
Balance at April 30, 2023	\$ 49,819	\$ 22,883	\$ 72,702
Changes from financing cash flows			
Payment of notes payable	-	-	-
Total changes from financing cash flows	49,819	22,883	72,702
Effects of changes in foreign exchange rates	(212)	-	(212)
Interest expense	2,246	(2,246)	-
Balance at October 31, 2023	\$ 51,853	\$ 20,637	\$ 72,490

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Notes to Condensed Interim Consolidated Statements

For the six months ended October 31, 2023  
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**12. LONG TERM DEBT – Convertible debenture**

On September 1, 2022, the Company issued non-secured convertible debentures for proceeds of \$716,000 which mature on September 1, 2025 (“convertible debentures”). The convertible debentures bear annual interest at 10%, payable quarterly, in shares or cash, at the discretion of management. If the Company elects to pay in shares, the interest payments are based on the price per share which equals the higher of (i) the market price on the date the interest becomes payable or (ii) the volume weighted average trading price of the Company’s shares for ten (10) consecutive trading days preceding the date the interest becomes payable. The principal of the convertible debentures is convertible, as described below, into Units which represent one common share and one warrant to purchase one common share at an exercise price of \$0.23 for a period of three years after September 1, 2022. The Company can elect to accelerate expiry of the Warrant if the volume weighted average trading price of the Company’s shares exceeds \$0.30 for ten consecutive trading days. The principal is convertible to Units at the option of the holders at any time after January 1, 2023 and at the option of the Company at any time after September 1, 2023 at \$0.12 per Unit. The Company has the option to prepay the convertible debentures and accrued but unpaid interest at any time after September 1, 2023.

The convertible debentures, which are hybrid instruments, were initially elected to be recognized at fair value through profit and loss.

Since the convertible debentures were entered into with non-arm’s length related parties, the difference between the fair value at inception and the proceeds received from the convertible debentures was recognized as a capital contribution and included in contributed surplus. The following table depicts the activity related to the convertible debentures for the period ending October 31, 2023.

	<b>Convertible Debentures</b>	<b>Contributed Surplus</b>
Balance at April 30, 2023	\$ 359,313	\$ 177,786
Credit risk fair value adjustment	-	-
Non-credit risk fair value adjustment	(38,394)	-
Settlement of interest through issuance of common shares (note 13)	(36,095)	-
<b>Balance at October 31, 2023</b>	<b>\$ 284,824</b>	<b>\$ 177,786</b>
<b>Current portion</b>	<b>\$ 11,674</b>	<b>-</b>
<b>Long-term portion</b>	<b>\$ 273,150</b>	<b>-</b>

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**13. KEY MANAGEMENT TRANSACTIONS**

During the six months ended October 31, 2023 and October 31, 2022, 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, 2023, Q2 FY2024, the directors and officers were granted Nil options (Q2 FY2023 – Nil).

**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, 2022	186,963,263	\$36,088,391
Balance, October 31, 2022	186,963,263	\$36,088,391
Balance, April 30, 2023	187,566,114	\$36,118,718
Shares issued to settle interest on convertible debentures (note 13)	695,761	36,095
<b>Balance, October 31, 2023</b>	<b>188,261,875</b>	<b>\$ 36,154,813</b>

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

**(c) Share capital transactions**

For the six months ending October 31, 2023, 695,761 new shares were issued as a payment of interest on the convertible debenture (2022 – Nil shares were issued).

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**14. SHARE CAPITAL (continued)**

**(d) Warrants**

There were 12,000,396 warrants which expired on September 4, 2023. For period ending October 31, 2022 Nil warrants expired.

	Number	Amount	Price	Expiry date
<b>Balance, April 30, 2022</b>	29,780,811	\$ 1,037,940		
Expired warrants	-	-		
<b>Balance, October 31, 2022</b>	29,780,881	\$ 1,037,940		
<b>Balance April 30, 2023</b>	29,225,029	\$ 984,569		
Expired warrants	(12,000,396)	(185,067)		September 4, 2023
<b>Balance, October 31, 2023</b>	<b>17,224,633</b>	<b>\$ 799,502</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, 2023 and changes during the six months ending on October 31, 2023 and October 31, 2022 were as follows.

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### 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, 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
Balance, October 31, 2022	13,985,001	\$0.1620	4.34	12,664,994	0.1643	4.13
Balance, April 30, 2023	15,455,001	\$0.1598	4.27	13,923,197	\$0.1621	3.95
Expired	(1,060,000)	0.1000	0.00	(1,060,000)	0.1000	0.00
Vested				17,000	0.1350	6.87
<b>Balance, October 31, 2023</b>	<b>14,395,001</b>	<b>\$0.1577</b>	<b>4.06</b>	<b>12,880,197</b>	<b>\$0.1648</b>	<b>3.76</b>

The following table summarizes information about stock options outstanding at October 31, 2023.

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	1.13	2,800,001	
0.0800	1,540,000	7.06	525,200	
0.1350	1,700,000	5.62	1,199,996	
0.1400	2,250,000	5.50	2,250,000	
0.1600	2,435,000	5.02	2,435,000	
0.2700	1,605,000	2.13	1,605,000	
0.3100	2,065,000	3.30	2,065,000	
	14,395,001	4.06	12,880,197	

For the six months ending October 31, 2023 no options were granted. For the six month period ending October 31, 2022 no options were granted.

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**15. CONTRIBUTED SURPLUS**

A summary of the contributed surplus at October 31, 2023 and October 31, 2022 and the changes during the six months then ended are presented below:

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Balance, April 30, 2022	\$ 7,881,109
Stock base compensation	35,006
Expired warrants	-
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Balance, October 31, 2022	\$ 7,916,115
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Balance, April 30, 2022	\$ 8,218,551
Stock base compensation	23,547
Expired warrants	185,067
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<b>Balance, October 31, 2023</b>	<b>\$ 8,427,165</b>

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**16. DEFERRED REVNUUE**

Changes in deferred revenue are as follows:

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For the three months ended October 31,	2023	2022
Deferred revenue, beginning of period	\$252,119	\$252,119
Amounts invoiced and revenue deferred	-	-
Recognition of deferred revenue in the current period	-	-
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Deferred revenue, end of the period	<b>\$252,119</b>	<b>\$252,119</b>

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**17. 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 14,395,001 stock options and 17,224,633 warrants outstanding at October 31, 2023 could potentially dilute future earnings per share calculations.

**18. 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

## Edgewater Wireless Systems Inc.

### Notes to Condensed Interim Consolidated Statements

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#### 18. INCOME TAXES (continued)

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.

#### 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 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, 2023	October 31, 2022	October 31, 2023	October 31, 2022
Europe	\$ 11,605	\$ –	\$ –	\$ –
North America	1,749	1,795	–	1,795
	<u>\$ 13,353</u>	<u>\$ 4,100</u>	<u>\$ –</u>	<u>\$ 1,795</u>

#### 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.

	Six Months ended October 31, 2023	Six months ended October 31, 2022
Compensation, Employees and Directors	\$ 151,822	\$ 161,763
Professional, legal and regulatory fees	172,470	72,030
Consulting	79,698	107,360
Depreciation and amortization	9,226	733
Rent	14,882	19,668
Travel	1,923	14,630
Office administration	38,853	24,806
	<u>\$ 464,875</u>	<u>\$ 400,990</u>

**Edgewater Wireless Systems Inc.**  
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**21. CONTINGENCIES**

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. There have been no developments in the fiscal quarter just ended.

**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 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.

**23. FINANCIAL INSTRUMENTS**

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

**(a) Fair value**

The fair values of cash, trade receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity. The fair values of notes payable approximate their carrying values as the rate of interest charged is consistent with market rates.

The fair value determination for the Company's convertible debentures (note 12) is classified as Level 3 under the fair value hierarchy. The fair value of the convertible debentures was determined at issuance and at each reporting date using a Partial Differential Equations method with the following significant assumptions:

	At September 1, 2022	At July 31, 2023
Market yield of the debt	30.0%	33.47%
Expected life of the convertible debentures	September 1, 2023	September 1, 2023
Volatility of a common share	85.0%	85.0%
Volatility of a Unit	100.0%	100.0%
Unit price	\$0.08	\$0.05

**Edgewater Wireless Systems Inc.**  
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**23. FINANCIAL INSTRUMENTS (continued)**

**(a) Fair value (continued)**

A change in the unobservable inputs to the Partial Differential Equations method could result in a significantly higher or lower fair value measurement.

**(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 provide coverage of up to 90%.

The Company maintains a provision in allowance for anticipated bad debts. As at October 31, 2023 the company had concentrated risk limited to the government. There were no unbilled revenues at October 31, 2023 or 2022.

**(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, 2023, the Company had cash of \$34,505 (April 30, 2023, \$81,098) to settle current liabilities of \$2,433,538 (April 30, 2023 - \$2,050,269).

The following are contractual maturities of cash flows for financial liabilities at October 31, 2023.

	<u>Future Value</u>	<u>3 months</u>	<u>3-12 Months</u>	<u>1-2 years</u>
Accounts payable and accrued liabilities	\$ 2,078,939	\$2,026,117	\$ 52,822	\$ -
Convertible debenture	847,267	17,900	53,700	59,667
Note and loan payable – current/long-term	51,853	51,853	-	-
Total	<u>\$ 2,978,059</u>	<u>\$2,095,870</u>	<u>\$ 106,522</u>	<u>\$ 59,667</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 \$10,854 set to mature in December 2023.

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### ***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, 2023 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\$385,000. 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.

## **24. SUBSEQUENT EVENTS**

On November 17, 2023 the Company issued a press release for a non-brokered private placement of up to 10,000,000 units at a price of \$0.05 per unit for gross proceeds of up to \$500,000. Each unit will consist of one common share and one common share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of \$0.10 per share for a period of 24 months after the closing date.