



Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Financial Statements

Nine months ended January 31, 2019 and January 31, 2018

(Unaudited)

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Responsibility for interim consolidated financial statements

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

Auditor involvement

The auditor of Edgewater Wireless Systems Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the three and nine month periods January 31, 2019 and January 31, 2018.

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statements of Financial Position

	January 31, 2019	April 30, 2018
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 99,048	\$ 65,984
Amounts receivable (note 5)	173,346	407,055
Inventories (note 6)	121,004	151,239
Prepaid expenses and deposits	508,160	200,859
	901,558	825,137
Property and equipment (note 7)	31,793	29,830
Intangible assets (note 8)	968	2,130
	\$ 934,319	\$ 857,097
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 1,192,787	\$ 1,226,598
Deferred revenue	245,723	335,026
Notes payable (note 11)	102,662	12,662
Total Current liabilities	1,541,172	1,574,286
Total liabilities	1,541,172	1,574,286
Shareholders' equity (deficiency)		
Share capital (note 13)	33,472,172	32,474,384
Warrants (note 13)	3,045,977	2,290,043
Contributed surplus (note 14)	4,851,438	4,459,437
Deficit	(41,976,440)	(39,941,053)
	(606,853)	(717,189)
	\$ 934,319	\$ 857,097

Going concern (note 1(b))**Approved by the Board:****(Signed) "Brian C. Imrie"**, Director**(Signed) "Lew Dillman"**, Director**The accompanying notes are an integral part of these financial statements.**

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Nine months ended January 31,		Three months ended January 31,	
	2019	2018	2019	2018
Revenues				
Products	\$ 382,773	\$ 37,705	\$ 188,871	\$ -
Services	11,719	35,474	-	23,559
	394,492	73,179	188,871	23,559
Cost of Sales	(294,771)	(50,264)	(142,119)	(3,330)
Gross Margin	99,721	22,915	46,752	20,229
Expenses				
Sales and marketing	268,171	740,503	113,133	336,639
General and administrative	938,457	1,087,201	503,492	351,383
Product development	805,997	1,142,261	212,496	247,222
Operations	81,295	80,227	27,322	25,837
	2,093,920	3,050,192	856,443	964,081
Finance expense:				
Interest	3,497	13,889	7	2,257
Finance income	(2,834)	(702)	(187)	(403)
Foreign exchange	40,525	(82,072)	3,589	(19,810)
	41,188	(65,885)	3,409	(17,956)
Net loss and comprehensive loss	\$(2,035,387)	\$(2,958,392)	\$(813,100)	\$ (925,896)
Loss per common share				
Basic and diluted (note 14)	\$(0.013)	\$(0.021)	\$(0.005)	\$(0.006)
Weighted average number of common shares outstanding				
Basic and diluted	153,680,740	140,608,401	158,711,456	143,879,134

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

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance, April 30, 2017	\$29,706,156	\$ 1,608,525	\$ 3,915,528	\$(36,073,622)	\$ (843,413)
Share-based payments	-	-	480,846	-	480,846
Share and warrants issued	1,791,189	1,238,650	-	-	3,029,839
Options Exercised	121,426	-	(57,926)	-	63,500
Warrants exercised	419,479	(136,700)	-	-	282,779
Share and warrant issue costs	(167,331)	(130,337)	-	-	(297,668)
Net Loss and comprehensive loss	-	-	-	(2,958,392)	(2,958,392)
Balance, January 31, 2018	\$31,870,919	\$ 2,580,138	\$ 4,338,448	\$(39,032,014)	\$ (242,509)
Balance, April 30, 2018	\$32,474,384	\$2,290,043	\$4,459,437	\$(39,941,053)	\$ (717,189)
Share-based payments	-	-	362,180	-	362,180
Shares and warrants issued	1,008,013	838,164	-	-	1,846,177
Share and warrant issue costs	(48,954)	(40,705)	-	-	(89,659)
Options exercised	38,729	-	(11,704)	-	27,025
Warrants expired	-	(41,525)	41,525	-	-
Net loss and comprehensive loss for the period	-	-	-	(2,035,387)	(2,035,387)
Balance, January 31, 2019	\$33,472,172	\$3,045,977	\$4,851,438	\$(41,976,400)	\$ (603,853)

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

Edgewater Wireless Systems Inc.

Condensed Interim Consolidated Statements

(All amounts expressed in Canadian Dollars)

(Unaudited)

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended January 31,		Three months ended January 31,	
	2019	2018	2019	2018
Cash flows from operating activities				
Net loss	\$(2,035,387)	\$(2,948,109)	\$(813,100)	\$(915,616)
Items not affecting cash:				
Share-based payments	362,180	480,846	311,749	158,284
Amortization of intangible assets	1,161	266,153	387	-
Depreciation of property and equipment	15,485	13,269	5166	4,625
	(1,656,561)	(2,187,841)	(495,798)	(752,707)
Changes in non-cash operating working capital items:				
Inventories	30,235	45,314	27,190	8,832
Other receivables	233,709	(25,929)	48,282	(58,590)
Prepaid expenses and deposits	(307,301)	(54,504)	110,576	(64,227)
Accounts payable and accrued Liabilities	(123,112)	(196,969)	(88,940)	(424,783)
	(232,088)	(232,088)	(98,108)	(538,768)
Cash used in operating activities	(1,823,030)	(2,419,929)	(397,690)	(1,291,475)
Cash flows from financing activities				
Issuance of shares and warrants	967,670	2,449,399	-	1,338,098
Share issue costs	(8,612)	(167,331)	-	(76,491)
Issuance of warrants	804,620	926,719	-	603,805
Warrant Issue costs	(7,160)	(130,337)	-	(58,192)
Issuance of note payable – current	90,000	(164,604)	90,000	(23,997)
Options exercised	27,025	-	25,000	-
Issuance of note payable – long-term	-	(15,296)	-	(6,763)
Cash provided by financing activities	1,873,543	2,898,550	115,000	1,776,460
Cash flows from investing activities				
Sale (Purchase) of equipment	(17,449)	(9,510)	(17,449)	-
Cash provided by investing activities	(17,449)	(9,510)	(17,449)	-
Increase (decrease) in cash	33,064	469,111	(300,139)	484,985
Cash and cash equivalents, beginning of period	65,984	69,785	399,187	53,911
Cash and cash equivalents, end of period	\$ 99,048	\$ 538,896	\$ 99,048	\$ 538,896

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

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

1. ORGANIZATION AND GOING CONCERN

(a) Organization

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

(b) Going concern

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

The Company has not earned substantial revenue from the sale of its products and is, therefore, considered to be in the development stage. During the nine months ended January 31, 2019, the Company incurred a net loss of \$2,035,387 and negative cash flow from operating activities of \$1,823,030. In addition, the Company has negative working capital of \$639,614 (January 31, 2018 negative working capital of \$129,354) and an accrued deficit of \$41,976,440 (January 31, 2018, \$39,032,014). The continuation of the Company's product development and marketing activities is dependent upon the Company's ability to successfully fund its working capital requirements through either debt or equity financing.

There is significant doubt about the appropriateness of the use of the going concern basis of presentation because management has forecast that the Company's current level of cash and cash equivalents are not sufficient to execute its current planned expenditures beyond the next three months. The Company is actively pursuing financing alternatives to provide additional funding. Management believes that it will complete one or more arrangements in sufficient time to resume its planned expenditures with minimal interruption; however, 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, 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. As a result, there is a significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. Additionally, the issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders.

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

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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(Expressed in Canadian dollars)
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2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board. Condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended April 30, 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended April 30, 2018.

This is the third set of financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of May 1, 2018. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of the promised goods and services to a customer and at an amount that reflects the consideration expected to be received for transferring those goods or services.

Given the nature of the transfer of goods and delivery of services, the Company has not been required to change its accounting policy for revenue recognition.

Revenue is recognized upon transfer of control of promised goods or services to the customer in an amount that reflects the consideration the Company expects to receive for those goods and services. The Company's goods or services are generally distinct and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from any other promises in the contractual arrangement with the customer.

Operating Segments

The Company derives its revenues from a single product segment being wireless access points, components 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.

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For the nine months ended January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

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

	Nine months ended		Three months ended	
	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
Europe	\$ -	\$ 32,715	\$ -	\$ -
North America	394,492	40,463	188,871	23,559
	\$ 394,492	\$73,178	\$ 188,871	\$ 23,559

(b) IFRS 9, Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 Financial Instruments with a date of initial application of May 1, 2018. IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The standard simplifies the classification of a financial asset as either an amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans or receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company's financial assets.

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities.

There was no material impact on the adoption of IFRS 9 on the Company's interim condensed consolidated financial statements at May 1, 2018.

(c) New standards and interpretations not yet adopted

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 has also been applied. The Company does not intend to apply this standard early. The Company is currently evaluating the impact of adopting this standard and will be developing its implementation plan.

4. Cash and cash equivalents

At January 31, 2019 and April 30, 2018, cash and cash equivalents comprised exclusively cash in the Company's bank accounts.

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5. Amounts receivable

The composition of amounts receivable was as follows:

	January 31, 2019	April 30, 2018
Trade receivables (net)	\$49,953	\$11,105
Unbilled revenue	13,198	9,755
Ontario Investment Tax Credit	34,860	70,190
HST receivable	75,335	316,005
	\$173,346	\$407,055

At January 31, 2019 the Company recognized an allowance for doubtful accounts in the amount of \$7,007 (October 31, 2018, \$7,007).

6. Inventories

The composition of inventories was as follows:

	January 31, 2019	April 30, 2018
Finished Goods - access points	\$ 96,340	\$ 126,464
Finished Goods – accessories	20,811	20,811
Raw materials	3,853	3,964
	\$ 121,004	\$ 151,239

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

7. Property and equipment

Cost	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2017	166,409	84,421	10,799	261,629
Additions	7,382	2,128		9,510
Balance at January 31, 2018	\$ 173,791	\$ 81,552	\$ 10,799	\$ 271,139
Balance at April 30, 2018	175,586	96,293	10,799	282,678
Additions	-	17,449	-	17,449
Balance at January 31, 2019	\$175,586	\$113,742	\$10,799	\$300,127

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7. Property and equipment (continued)

Accumulated Depreciation	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
Balance at April 30, 2017	\$166,409	\$59,432	\$10,290	\$236,131
Depreciation	1,353	10,537	218	12,108
Balance at January 31, 2018	\$ 167,762	\$ 69,969	\$ 10,508	\$ 248,239
Balance at April 30, 2018	\$ 168,477	\$ 73,791	\$ 10,580	\$252,848
Depreciation	2,294	12,973	219	15,485
Balance at January 31, 2019	\$ 170,771	\$ 86,764	\$ 10,799	\$268,834
Net Book Value	Laboratory equipment	Computer hardware	Furniture and fixtures	Total
April 30, 2018	\$ 7,109	\$ 22,502	\$219	\$ 29,830
January 31, 2019	4,815	26,978	0	31,793

Depreciation expense of \$15,485 in the nine months ended January 31, 2019 was recorded in the consolidated statement of loss and comprehensive loss and allocated to each of the four functional areas appearing in that statement.

8. Intangible assets

Cost	Patents	Computer software	Total
Balance at April 30, 2017	\$9,137,626	\$47,412	\$9,185,038
Disposals during the period	-	-	-
Balance at January 31, 2018	\$9,137,626	\$47,412	\$9,185,038
Balance at April 30, 2018	\$9,137,626	\$47,412	\$9,185,038
Additions during the period	-	-	-
Balance at January 31, 2019	\$9,137,626	\$47,412	\$9,185,038

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8. Intangible assets (continued)

Accumulated Amortization	Patents	Computer Software	Total
Balance at April 30, 2017	\$8,871,473	\$43,734	\$8,915,207
Amortization during the Period	266,153	1,161	267,314
Balance at January 31, 2018	\$9,137,626	\$44,895	\$9,182,521
Balance at April 30, 2018	\$9,137,626	\$45,282	\$9,182,908
Amortization for the period	-	1,161	1,161
Balance at January 31, 2019	\$9,137,626	\$46,443	\$9,184,069

Net Book Value	Patents	Computer Software	Total
April 30, 2018	\$ -	\$ 2,130	\$ 2,130
January 31, 2019	-	968	968

Amortization expense of \$1,161 in the nine months ended January 31, 2019 was recorded in the consolidated statement of loss and comprehensive loss. Amortization of patents was recorded entirely as product development expense whereas amortization of computer software was allocated among the four functional areas presented in the consolidated statement of loss and comprehensive loss.

As of October 31, 2017 the value of the Company's patents were fully amortized.

9. Accounts Payable and Accrued Liabilities

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

	January 31, 2019	April 30, 2018
Trade accounts payable and accruals	\$1,027,589	\$1,055,959
Accrued vacation pay	66,728	72,169
Accrued salaries and commissions	98,470	98,470
Deferred Revenue	245,723	335,026
	\$1,438,510	\$1,561,624

Deferred Revenue represents primarily billings to customers in advance of completion of a final service to be rendered at the customer's location, but also includes prepayment for goods to be delivered at a later date.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

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(Expressed in Canadian dollars)

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10. Leases

The Company leases its current premises. The lease obligations commits to Company for less than 12 months.

11. Notes Payable

	31-Jan-19	30-Apr-18
Notes payable issued Sept 2015		
non-interest bearing, effective rate of 6.0% per annum, payable in one payment of \$12,645 (Euro 8,502) followed by quarterly payments of \$3,051 (Euro 2,125) maturing December 2017	\$ 12,662	\$ 12,662
Interest bearing notes from one (1) director with an effective rate of 12% per annum with a term of up to six months	\$ 90,000	-
Less: current portion	\$ 102,662	\$ 12,662
	\$ -	\$ -

These notes payable are due as follows and have been valued in home currency

Financial Liabilities	Notes Payable	Share Capital	Warrants	Contributed surplus	Total
Balance at April 30, 2018	\$ 12,662	\$ 32,474,384	\$2,290,043	\$ 4,459,437	\$ 39,236,526
Changes from financing cash flows					
Issuance of notes payable	90,000	-	-	-	90,000
Options exercised	-	38,729	-	(11,704)	27,025
Total changes from financing cash flows	102,662	32,513,113	2,290,043	4,447,733	39,353,551
Other changes					
Private subscription		1,008,013	838,164		1,846,177
Share issue costs		(48,954)	(40,705)		(89,659)
Warrants expired	-	-	(41,525)	41,525	-
Share-based payments	-	-	-	362,180	362,180
Balance at January 31, 2019	\$ 102,662	\$ 33,472,172	\$3,045,977	\$ 4,851,438	\$ 41,472,249

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Notes to Condensed Interim Consolidated Statements

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(Unaudited)

12. Related party transactions

Transactions with key management personnel

During the nine months ended January 31, 2019, the Company paid no amounts to Directors or senior management of the Company other than as remuneration in their capacity as employees or reimbursement of expenses incurred 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 13(e)).

Senior management personnel are not entitled to any post-employment benefits other than those available to all employees. Severance to be paid upon the involuntary termination of a member of senior management is equivalent to three month's salary on or before completion of two years of their employment and six month's salary thereafter.

13. Share capital

(a) Authorized

Unlimited number of common shares of no par value

1,600,000 convertible preferred shares Series 1

Unlimited number of convertible voting preferred shares Series 2

(b) Issued and outstanding shares

Common Shares	Number	Amount
Balance, April 30, 2017	135,106,891	\$29,706,156
Options exercised	333,333	121,426
Warrants exercised	722,676	419,479
Issued on private placement	9,679,624	1,726,089
Share issue cost	-	(167,331)
Balance, January 31, 2018	145,842,524	\$31,805,819
Share issue cost		(45,062)
Share		348,324
Warrants exercised	850,000	365,303
Balance, April 30, 2018	146,692,524	\$32,474,384
Issued on private placement	11,538,606	1,008,013
Options exercised	507,500	38,729
Share issue cost		(48,954)
Balance, January 31, 2019	158,738,630	\$ 33,472,172

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.

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13. Share capital (continued)

(c) Share capital transactions

For the nine months ending January 31, 2019 the Company raised \$1,756,518 net of costs and finder fees through a private subscription of 11,538,606 units comprising one share and one warrant. These units had a deemed value of \$ 0.16 per unit for a deemed expense of \$162,986 which has been treated as Share Issue and Warrant Issue Expense and charged to the Share Capital and Warrant account. Each warrant entitles the holder to purchase an additions share in the common stock of the Company at the price of \$0.24 per share until August 19, 2023. For the six months ending October 31, 2018, 507,500 options were exercised for shares.

(d) Warrants

Using the Black-Scholes option pricing model each warrant was estimated to have a value of \$0.1333 based on a risk free interest rate of 2.39%, expected dividend yield of 0%, and an expected volatility of 150%. Volatility was estimated by reviewing the most recent trading activity on the TSX-V; from this review and taking into consideration additional factors unique to the Company, an estimated volatility of 150% was established. Based upon this calculation, \$838,164 of the proceeds was allocated to the warrants. Cash finders' fees and legal costs totaling \$89,659 were incurred in closing the sale of the Units. These costs were allocated to Share Capital and Warrants on a pro-rata basis pursuant to the allocation of the proceeds from the sale of the Units.

	Number	Amount	Price	Expiry date
Balance, April 30, 2017	15,798,318	\$ 1,608,525		
Private placements				
June 2017	2,868,429	634,845	\$0.375	June 30, 2019
November 2017	1,115,050	144,833	0.375	November 19, 2019
December 2017	1,742,666	458,972	0.750	December 18, 2019
Issue costs		(130,337)		
Warrants exercised	(722,676)	(136,700)		
Balance, January 31, 2018	20,801,787	\$2,580,138		
Balance April 30, 2018	19,951,787	\$2,290,043		Various
Issue on private placement	11,538,606	838,164	\$0.240	September 4, 2023
Issue costs		(40,705)		
Warrants expired	(299,820)	(41,525)		
Balance, January 31, 2019	31,190,573	\$3,045,977		

Edgewater Wireless Systems Inc.

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For the nine months ended January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

13. (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 April 30, 2018 and changes during the nine month ending on January 31, 2019 were as follows.

	Nine months ended		Year ended	
	January 31, 2019		April 30, 2018	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of period	10,865,001	\$0.1810	11,325,001	\$0.1823
Granted	4,035,000	0.1600	-	-
Exercised	(500,000)	0.0500	(125,000)	0.0500
	(7,500)	0.2700	(183,333)	0.2700
	-	-	(25,000)	0.3100
Forfeited	(30,000)	0.3100	(106,667)	0.2700
			(20,000)	0.3100
Expired	-	-	-	-
Options outstanding end of period	14,362,501	\$0.1344	10,865,001	\$0.1810
Options exercisable end of period	9,814,041	\$0.1632	9,009,991	\$0.1578

The following table summarizes information about stock options outstanding at January 31, 2019.

Edgewater Wireless Systems Inc.

Notes to Condensed Interim Consolidated Statements

For the nine months ended January 31, 2019

(Expressed in Canadian dollars)

(Unaudited)

13. (e) Stock Options (continued)

Options outstanding			Options Exercisable		
Exercise price	Number outstanding Jan. 31/18	Weighted average remaining life	Exercise Price	Number exercisable Jan. 31/18	Exercise price
\$0.0500	3,375,001	5.88	\$0.0500	3,375,001	\$0.0500
0.1000	1,430,000	4.26	0.1000	1,430,000	0.1000
0.1600	4,035,000	9.78	0.1600	1,331,550	0.1600
0.2500	70,000	3.32	0.2500	70,000	0.2500
0.2700	2,242,500	6.88	0.2700	1,475,829	0.2700
0.3100	3,210,000	8.05	0.3100	2,131,661	0.3100
	14,362,501	7.44	\$0.1344	9,814,041	\$0.1632

14. Contributed surplus

A summary of the contributed surplus at January 31, 2019 and the changes during the nine months then ended are presented below:

Balance, April 30, 2017	\$ 3,915,528
Exercise of options	(57,926)
Stock base compensation expense	480,846
Balance, January 31, 2018	\$ 4,338,448
Exercise of options	-
Stock based compensation expense	120,989
Balance, April 30, 2018	\$ 4,459,437
Stock base compensation	362,180
Expired warrants	41,525
Exercise of options	(11,704)
Balance, January 31, 2019	\$ 4,851,438

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15. Loss per common share

For the purposes of calculating diluted loss per share the deemed exercise of any options and warrants outstanding would represent a potentially anti-dilutive effect; accordingly, the weighted average number of shares used for the calculation of diluted loss per share is the same as used in the calculation of basic loss per share.

The underlying common shares pertaining to the 14,362,501 stock options and 31,190,573 warrants outstanding at January 31, 2019 could potentially dilute future earnings per share calculations.

16. Income taxes

As the Company is not currently profitable and had been inactive for several years prior to the 2012 fiscal year, there is no tax expense.

Deferred income taxes reflect the impact of losses carried forward and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax recoveries and the corresponding deferred tax assets are only recognized when it is probable that future taxable profit will be available to utilize the benefits. Due to the uncertainty of future income, the Company has not recognized any deferred tax assets.

With the exception of a nominal residual value of software assets, the Company's intangible assets have been fully amortized (see note 8) and continue to carry a tax basis of nil for which no deferred tax liability has been recognized due to the initial recognition exemption under IFRS.

17. Nature of Expenses

The consolidated statement of loss and comprehensive loss presents the expenses of the Company categorized by their function. The table below provides supplementary information regarding some of the major expenses categorized by their nature.

	Nine months ended January 31, 2019
Compensation, Employees and Directors	\$827,209
Depreciation and Amortization	16,646
Consulting Fees	712,754
Materials	6,753
Travel	58,821
Professional, legal and regulatory fees	110,856

18. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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 the future development of the business.

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18. Capital management (continued)

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 realistic.

19. Financial instruments

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

(a) Fair value

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value in the statement of financial position have been prioritized into three levels of a fair value hierarchy: level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities; level two includes inputs that are observable other than quoted prices included in level one, and; level three includes inputs that are not based on observable market data.

There are no financial instruments carried at fair value. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and demand notes payable approximate their carrying values due to their short-term nature.

(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, short-term investments and trade receivables. Cash and cash equivalents consist of 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 financial instruments included in trade receivables is minimal. Although credit terms vary among customers, the Company's typical policy calls for a 10-20% deposit upon receipt of an order with the balance due 60-90 days after delivery. Standard practice also includes the seeking of an approved credit limit under a receivables insurance policy with Export Development Canada which provides coverage of up to 90%.

(c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2019, the Company had cash of \$99,048 to settle current liabilities of \$1,541,172. The majority of the Company's financial liabilities have contractual maturities of less than ninety days and all are subject to normal trade terms.

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19. Financial instruments (continued)

(d) Market risk

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

Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the credit-worthiness of its bank. There were no such investments in place at January 31, 2019.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of expenses are transacted in Canadian dollars while all revenues were denominated in US dollars. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk. At January 31, 2019 the Company had the following significant balances denominated in foreign currency: cash US \$26,914; trade receivables (net of allowances), US\$61,076 and; accounts payable and notes payable, US\$346,482. A change in the Canadian dollar by 1 cent impacts the converted US payable by approximately \$3,500.

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 not exposed to any significant commodity price risk.