

Nutaq Innovation Inc.

Financial Statements

October 31, 2014

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Independent Auditor's Report

Raymond Chabot Grant Thornton LLP

Suite 200
140 Grande Allée East
Québec, Québec G1R 5P7

To the Shareholders of
Nutaq Innovation Inc.

Telephone: 418-647-3151
Fax: 418-647-5939
www.rcgt.com

We have audited the accompanying financial statements of Nutaq Innovation Inc., which comprise the statement of financial position as at October 31, 2014 and 2013 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion on the 2013 financial statements and the 2014 results of operations and cash flows and our unmodified audit opinion on the 2014 financial position.

Basis for qualified opinion on the 2013 financial statements and the 2014 results of operations and cash flows

We were not able to obtain sufficient appropriate audit evidence regarding the physical inventories as at October 31, 2013 and as at November 1, 2012 or satisfy ourselves concerning those inventory quantities by alternative means. Consequently, we were unable to determine whether adjustments to inventories as at October 31, 2013 and to the statements of comprehensive income and cash flows might be necessary for the years ended October 31, 2014 and 2013.

Qualified opinion on the 2013 financial statements and the 2014 results of operations and cash flows

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion on the 2013 financial statements and the 2014 results of operations and cash flows" paragraph, the financial statements present fairly, in all material respects, the financial position of Nutaq Innovation Inc. as at October 31, 2013 and its financial performance and its cash flows for the years ended October 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Opinion on the 2014 financial position

In our opinion, the financial position presents fairly, in all material responses the financial position of Nutaq Innovation Inc. as at October 31, 2014 in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Nutaq Innovation Inc for the year ended October 31, 2012 were not audited.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP¹

Québec
January 29, 2015

¹ CPA auditor, CA public accountancy permit no. A119912



Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP

Suite 200
140 Grande Allée East
Québec, Québec G1R 5P7

To the Shareholders of
Nutaq Innovation Inc.

Telephone: 418-647-3151
Fax: 418-647-5939
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We have audited the accompanying financial statements of Nutaq Innovation Inc., which comprise the statement of financial position as at October 31, 2014 and the statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended (February 1 to October 31), and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Nutaq Innovation Inc. as at October 31, 2014 and its financial performance and its cash flows for the nine-month period then ended in accordance with International Financial Reporting Standards.

Other matter

The statements of comprehensive income, changes in equity and cash flows of Nutaq Innovation Inc for the nine-month period ended October 31, 2013 were not audited.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP¹

Québec
January 29, 2015

¹ CPA auditor, CA public accountancy permit no. A119912



Raymond Chabot Grant Thornton

Review Engagement Report

Raymond Chabot Grant Thornton LLP
Suite 200
140 Grande Allée East
Québec, Quebec G1R 5P7

To the Shareholders of
Nutaq Innovation Inc.

Telephone: 418-647-3151
Fax: 418-647-5939
www.rcgt.com

We have reviewed the comparative statement of financial position of Nutaq Innovation Inc. as at October 31, 2012 and the comparative statements of comprehensive income, changes in equity and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these comparative financial statements are not, in all material respects, in accordance with International Financial Reporting Standards.

The opening statement of financial position of Nutaq Innovation Inc. as at November 16, 2011 was not audited or reviewed.

Raymond Chabot Grant Thornton LLP¹

Québec
January 29, 2015

¹ CPA auditor, CA public accountancy permit no. A119912



Raymond Chabot Grant Thornton

Review Engagement Report

To the Shareholders of
Nutaq Innovation Inc.

Raymond Chabot Grant Thornton LLP

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We have reviewed the comparative statement of financial position of Nutaq Innovation Inc. as at October 31, 2013 and the comparative statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended (February 1 to October 31). Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these comparative financial statements are not, in all material respects, in accordance with International Financial Reporting Standards.

Raymond Chabot Grant Thornton LLP¹

Québec
January 29, 2015

¹ CPA auditor, CA public accountancy permit no. A119912

Nutaq Innovation Inc. Statement of Comprehensive Income

Nine-month period ended October 31, 2014 and year ended October 31, 2014
(in Canadian dollars)

	2014-10-31 (9 months)	2013-10-31 (9 months) Restated and unaudited (Note 5)	2014-10-31 (12 months)	2013-10-31 (12 months) Restated (Note 5)	2012-10-31 (12 months) Restated and unaudited (Note 5)
Revenue (Note 24)	\$ 3,820,605	\$ 5,619,966	\$ 5,593,430	\$ 6,404,880	\$ 5,338,236
Cost of sales	2,236,942	3,017,484	3,833,638	3,588,848	2,400,721
Gross profit	1,583,663	2,602,482	1,759,792	2,816,032	2,937,515
Selling expenses	825,309	748,609	1,089,253	967,680	730,557
Administrative expenses	1,485,827	2,295,895	1,812,831	2,542,351	3,639,986
Financial expenses (Note 17)	1,084,436	1,048,295	1,549,000	1,302,675	1,139,045
Research and development costs, net of \$370,793 in tax credits for the nine-month period ended October 31, 2014, \$507,282 for the year ended October 31, 2014 (\$853,549 for the nine-month period ended October 31, 2013, \$1,030,926 for the year ended October 31, 2013 and \$1,181,238 for the year ended October 31, 2012)	779,328	536,363	846,080	689,570	269,357
Loss before other gain (loss)	4,174,900	4,629,162	5,297,164	5,502,276	5,778,945
Other gain (loss)	(2,591,237)	(2,026,680)	(3,537,372)	(2,686,244)	(2,841,430)
Reversal of investment tax credits receivable (Note 5)	48,733	60,961	48,733	60,961	(3,444,770)
Government assistance	48,733	60,961	48,733	60,961	(3,444,770)
Net loss and total comprehensive income	(2,542,504)	(1,965,719)	(3,488,639)	(2,625,283)	(6,286,200)
Loss per share (Note 15)					
Basic and diluted loss per share	(0.31)	(0.32)	(0.45)	(0.42)	(1.01)
Weighted average number of outstanding common shares	8,266,187	6,217,391	7,749,778	6,217,391	6,217,391

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

Nutaq Innovation Inc.

Statement of Changes in Equity

Nine-month period ended October 31, 2014 and year ended October 31, 2014
(in Canadian dollars)

	2014-10-31 (9 months)		
	Share capital	Deficit	Total equity
	\$	\$	\$
Balance as at February 1, 2014	2,550,315	(10,545,665)	(7,995,350)
Issue of share capital and total transactions with owners (Note 14)	5,520,092		5,520,092
Net loss and total comprehensive income for the period		(2,542,504)	(2,542,504)
Balance as at October 31, 2014	<u>8,070,407</u>	<u>(13,088,169)</u>	<u>(5,017,762)</u>
	2013-10-31 (9 months) Unaudited		
	Share capital	Deficit	Total equity
	\$	\$	\$
Balance as at February 1, 2013			
As previously reported	2,550,315	(990,697)	1,559,618
Correction of prior years errors (Note 5)		(6,643,114)	(6,643,114)
As restated	2,550,315	(7,633,811)	(5,083,496)
Net loss and total comprehensive income for the period		(1,965,719)	(1,965,719)
Balance as at October 31, 2013	<u>2,550,315</u>	<u>(9,599,530)</u>	<u>(7,049,215)</u>
	2014-10-31 (12 months)		
	Share capital	Deficit	Total equity
	\$	\$	\$
Balance as at November 1, 2013			
As previously reported	2,550,315	(2,483,124)	67,191
Correction of prior years errors (Note 5)		(7,116,406)	(7,116,406)
As restated	2,550,315	(9,599,530)	(7,049,215)
Issue of share capital and total transactions with owners (Note 14)	5,520,092		5,520,092
Net loss and total comprehensive income for the period		(3,488,639)	(3,488,639)
Balance as at October 31, 2014	<u>8,070,407</u>	<u>(13,088,169)</u>	<u>(5,017,762)</u>

Nutaq Innovation Inc.
Statement of Changes in Equity

Nine-month period ended October 31, 2014 and year ended October 31, 2014
(in Canadian dollars)

	2013-10-31 (12 months)		
	Share capital	Deficit	Total equity
	\$	\$	\$
Balance as at November 1, 2012			
As previously reported	2,550,315	(450,650)	2,099,665
Correction of prior years errors (Note 5)		(6,523,597)	(6,523,597)
As restated	2,550,315	(6,974,247)	(4,423,932)
Net loss and total comprehensive income for the period		(2,625,283)	(2,625,283)
Balance as at October 31, 2013	<u>2,550,315</u>	<u>(9,599,530)</u>	<u>(7,049,215)</u>
			2012-10-31 (12 months) Unaudited
	Share capital	Deficit	Total equity
	\$	\$	\$
Balance as at November 16, 2011	200	(688,047)	(687,847)
Issue of share capital and total transactions with owners (Note 14)	2,550,115		2,550,115
Net loss and total comprehensive income for the period		(6,286,200)	(6,286,200)
Balance as at October 31, 2012	<u>2,550,315</u>	<u>(6,974,247)</u>	<u>(4,423,932)</u>

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

Nutaq Innovation Inc. Statement of Cash Flows

Nine-month period ended October 31, 2014 and year ended October 31, 2014
(in Canadian dollars)

	2014-10-31 (9 months)	2013-10-31 (9 months) Restated and unaudited (Note 5)	2014-10-31 (12 months)	2013-10-31 (12 months) Restated (Note 5)	2012-10-31 (12 months) Restated and unaudited (Note 5)
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net loss	(2,542,504)	(1,965,719)	(3,488,639)	(2,625,283)	(6,286,200)
Non-cash flow adjustments					
Depreciation of property, plant and equipment	64,074	48,218	83,492	53,348	10,865
Depreciation of intangible assets	33,328	43,174	44,461	43,174	
Exchange difference on long-term debt	(29,293)	23,550	24,743	23,855	868
Issue of class "A" shares for a non-cash consideration	35,992		35,992		
Net change in working capital items	760,947	(895,110)	333,410	(947,458)	1,457,561
Trade and other receivables					
Scientific research and experimental development					
tax credits receivable	1,138,288	(425,952)	1,673,943	(599,329)	2,263,532
Work in progress	146,752	58,239	176,779	(138,163)	(38,616)
Inventories	(4,602)	(446,729)	694,298	(863,165)	(399,686)
Prepaid expenses	45,199	60,836	(4,270)	1,121	(17,772)
Security deposits and deposits on purchase of goods	40,409	(100,000)	(224,591)	157,786	(259,786)
Trade and other payables	82,651	1,899,155	463,582	2,049,682	618,581
Deferred revenue	641,674	(38,926)	721,944	(61,334)	196,167
Net cash from (used in) operating activities	<u>412,915</u>	<u>(1,739,264)</u>	<u>535,144</u>	<u>(2,905,766)</u>	<u>(2,454,486)</u>
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(131,439)	(33,657)	(176,856)	(90,503)	(98,188)
Purchase of intangible assets	<u>(46,872)</u>	<u>(337,117)</u>	<u>(68,652)</u>	<u>(337,117)</u>	<u>(5,757)</u>
Net cash used in investing activities	<u>(178,311)</u>	<u>(370,774)</u>	<u>(245,508)</u>	<u>(427,620)</u>	<u>(103,945)</u>

Nutaq Innovation Inc.
Statement of Cash Flows

Nine-month period ended October 31, 2014 and year ended October 31, 2014
(in Canadian dollars)

	2014-10-31 (9 months)	2013-10-31 (9 months) Restated and unaudited (Note 5)	2014-10-31 (12 months)	2013-10-31 (12 months) Restated (Note 5)	2012-10-31 (12 months) Restated and unaudited (Note 5)
	\$	\$	\$	\$	\$
FINANCING ACTIVITIES					
Net change in loan payable	(480,138)	1,368,934	(611,302)	1,641,994	
Long-term debt	95,197	882,373	95,197	1,886,861	2,784,209
Repayment of long-term debt	(40,580)	(129,238)	(52,808)	(214,238)	(1,680,000)
Issue of class "A" shares	325,000		325,000		1,550,115
Net cash from (used in) financing activities	(100,521)	2,122,069	(243,913)	3,314,617	2,654,324
Net increase (decrease) in cash	134,083	12,031	45,723	(18,769)	95,893
Cash, beginning of period	(10,368)	65,961	77,992	96,761	868
Cash, end of period	<u>123,715</u>	<u>77,992</u>	<u>123,715</u>	<u>77,992</u>	<u>96,761</u>
Supplementary information					
Interest paid included in operating activities	612,231	795,146	897,585	1,043,149	1,003,519

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

Nutaq Innovation Inc.
Statement of Financial Position

October 31, 2014

(in Canadian dollars)

	2014-10-31	2013-10-31	2012-10-31	2011-11-16
		Restated (Note 5)	Restated and unaudited (Note 5)	Unaudited (Note 5)
	\$	\$	\$	\$
ASSETS				
Current				
Cash	123,715	77,992	96,761	868
Trade and other receivables (Note 5 and Note 7)	1,651,825	1,985,235	1,037,777	7,100
Scientific research and experimental development tax credits receivable (Note 5 and Note 23)	602,761	2,276,704	1,677,375	
Work in progress		176,779	38,616	
Inventories (Note 8)	1,219,045	1,913,343	1,050,178	
Prepaid expenses	20,921	16,651	17,772	
Security deposits and deposits on purchase of goods	346,954	122,363	280,149	
Current assets	<u>3,965,221</u>	<u>6,569,067</u>	<u>4,198,628</u>	<u>7,968</u>
Non-current				
Property, plant and equipment (Note 9)	396,390	303,026	87,323	
Intangible assets (Note 5 and Note 10)	323,891	299,700	5,757	
Non-current assets	<u>720,281</u>	<u>602,726</u>	<u>93,080</u>	
Total assets	<u>4,685,502</u>	<u>7,171,793</u>	<u>4,291,708</u>	<u>7,968</u>
LIABILITIES				
Current				
Trade and other payables (Note 11)	2,407,460	3,123,678	1,073,996	695,815
Deferred revenue	856,777	134,833	196,167	
Loans payable (Note 12)	1,030,692	1,641,994		
Current portion of long-term debt	63,757	52,808		
Current liabilities	<u>4,358,686</u>	<u>4,953,313</u>	<u>1,270,163</u>	<u>695,815</u>
Non-current				
Long-term debt (Note 13)	5,344,578	9,267,695	7,445,477	
Total liabilities	<u>9,703,264</u>	<u>14,221,008</u>	<u>8,715,640</u>	<u>695,815</u>
DEFICIENCY				
Share capital (Note 14)	8,070,407	2,550,315	2,550,315	200
Deficit	(13,088,169)	(9,599,530)	(6,974,247)	(688,047)
Total equity	<u>(5,017,762)</u>	<u>(7,049,215)</u>	<u>(4,423,932)</u>	<u>(687,847)</u>
Total equity and liabilities	<u>4,685,502</u>	<u>7,171,793</u>	<u>4,291,708</u>	<u>7,968</u>

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

On behalf of the Board,

/s/Martin Bedard

Director

/s/Patrice Rainville

Director

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
(in Canadian dollars)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company is incorporated under the Business Corporations Act (Quebec) and operates in the research, development, manufacturing and marketing of digital electronic circuits and wireless telecommunication products.

2 - GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH IFRSs AND GOING CONCERN ASSUMPTION

The Company's registered office is at 2150 Cyrille-Duquet Street, Québec, Quebec G1N 2G3.

The Company's financial statements have been prepared in accordance with International Financial Accounting Standards (IFRSs). They are the first annual financial statements prepared in accordance with IFRSs (see Note 4 for the explanation of the transition to IFRSs) and they are based on the assumption that the Company is a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of its operations.

In light of operating losses incurred during the year ended October 31, 2014 and the past years, the working capital deficiency as at October 31, 2014 and shareholders' deficiency, there is significant doubt about the Company's ability to continue as a going concern. The Company's ability to realize its assets and discharge its liabilities depends on the continued financial support of its shareholders, the growth and profitability of the future sales of its products that are now marketed and the obtaining of additional financing. However, the Company has completed the development of two of its main products, of which one is already into a supply agreement with a tier-one client, and has begun its marketing. In addition, the Company has concluded a private financing agreement on a voluntary basis and has a cash flow managing plan to deal with the situation (Note 25). Adding to the above, the Company has presently a financing agreement in place for financing the invoices and purchase order to a maximum of \$2,500,000 (Note 12). If necessary, the Company may review the prioritization and, if needed, defer some of its research and development projects.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the statement of financial position's classification have not been adjusted as would be required if the going concern assumption were not appropriate.

The financial statements for the nine-month period ended October 31, 2014 and the year ended October 31, 2014 (including comparative figures for the nine-month period ended October 31, 2013, the years ended October 31, 2013 and 2012 and as at november 16, 2011) were approved and authorized for issue by the board of directors on January 29, 2015.

3 - SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
(in Canadian dollars)

3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Foreign currency translation

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the Company's functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at the exchange rates in effect at the end of the period are recognized in profit or loss.

Non-monetary items are not retranslated at the end of the period and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates in effect at the date on which fair value was determined.

Revenue

Revenue arises from the sale of goods and the rendering of services and are measured at the fair value of consideration received or receivable, excluding sales taxes.

Revenue arising from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue arising from the rendering of services is recognized when the services are provided. Consideration received prior to the services being rendered is deferred as a liability under "Deferred revenue" on the statement of financial position.

Revenue arising from the rendering of services according to long-term contracts and associated costs are recognized by reference to the stage of completion of the contract activity at the reporting date. When the Company can not measure the outcome of a long-term contract reliably, revenue is recognized only to the extent of contract costs that have been incurred and are recoverable. Long-term service contract costs are recognized in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss.

A long-term service contract stage of completion is assessed by management based on the hours worked over the total estimated hours of the contract.

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
(in Canadian dollars)

3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

The gross amount due from customers for contract work is presented as work in progress for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. The gross amount due to customers for contract work is presented as deferred revenue for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be operated in the manner intended by the Company's management. They are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is recognized according to the following methods to write down the cost less estimated residual value, if any. The following rates are applied:

	<u>Methods</u>	<u>Rates</u>
Leasehold improvements	Straight-line	25%
Equipment and furniture, telecommunication system, furniture and fixtures	Decreasing	20%
Computer equipment and computer equipment under capital lease	Decreasing	30%

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when incurred.

Intangible assets

Recognition of intangible assets

The acquired computer software is capitalized on the basis of costs incurred to acquire and install the specific software. Trademarks acquired are recognized as intangible assets at their cost.

Expenditure on the research phase of projects is recognized as an expense as incurred. Costs that are attributable to a project's development phase are recognized as intangible assets, provided that they meet the following recognition requirements:

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The Company intends and has sufficient resources to complete the project;
- The Company has the ability to use or sell the asset;
- The asset will generate probable future economic benefits.

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
(in Canadian dollars)

3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on development along with an appropriate portion of relevant overheads.

Subsequent measurement

All intangible assets, are accounted for using the cost model whereby capitalized costs (except for trademarks) are amortized over their estimated useful lives, as these assets are considered finite. The following amortization method and rate is applied:

	<u>Method</u>	<u>Rate</u>
Software	Straight-line	20%

As no finite useful life for trademarks can be determined, related carrying amounts are not amortized.

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

Gains or losses arising from the disposal of intangible assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when incurred.

Impairment of property, plant and equipment and intangible assets

For impairment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. The case being, any impairment losses for cash-generating units is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exists. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
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3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets.

All financial assets except for those at fair value through profit or loss are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All of the Company's financial assets (including cash, trade accounts receivable, security deposits and deposits on purchase of goods) are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

All income and expenses relating to financial assets are recognized in profit or loss.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade accounts payable, loans payable and the long-term debt.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Nutaq Innovation Inc.

Notes to Financial Statements

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3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a financial lease liability.

See property, plant and equipment's accounting policy for the depreciation methods and useful lives for assets held under financial leases. The corresponding financial lease liability is reduced by lease payments net of financial charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as financial costs over the period of the lease.

Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

Income taxes

The tax expense recognized in profit or loss comprises the sum of deferred taxes and current taxes not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current taxes are payable on taxable profit, which differs from profit or loss in the financial statements. The calculation of current taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred taxes are not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided that those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Nutaq Innovation Inc.

Notes to Financial Statements

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3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are offset only when the Company has the right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are directly in equity, in which case the related deferred taxes are also recognized in equity.

Investment tax credits and government assistance

Investment tax credits and government assistance related to current expenses are accounted for as a reduction of research and development costs and as other revenue, respectively, while those related to the acquisition of property, plant and equipment or intangible assets are accounted for as a reduction of the cost of the related asset. Credits and government assistance are accrued in the year in which the related expenses or capital expenditures are incurred, provided that the Company is reasonably certain that the credits will be received. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Equity, reserves and dividend payments

Share capital represents the paid-up capital of shares that have been issued.

Retained earnings (deficit) include all current and prior period retained profits and losses.

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Nutaq Innovation Inc.

Notes to Financial Statements

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3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimation uncertainty

Recognition of investment tax credits

Determining the amount of investment tax credit requires significant judgement as management needs to assess if research and development projects for which investment tax credits are claimed are eligible, as well as assessing if the expenses incurred are eligible. Furthermore, following the litigation with the Canada Revenue Agency (see Note 23), significant judgement is required in determining if the Company qualifies as a Canadian-controlled private corporation.

Allowance for impairment of trade accounts receivable

Significant estimates and judgements are required in assessing the amount of allowance for impairment of trade accounts receivable.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainties relate to assumptions about future operating results and the determination of a suitable discount rate.

Judgement

Recognition of long-term service contracts revenue

Recognizing revenue derived from long-term service contracts requires significant judgement in determining milestones and percentage of completion, actual work performed and estimated costs to complete the work. Recognized amounts of revenue and related work in progress (or deferred revenue) reflect management's best estimate of each contract's outcome and stage of completion.

Nutaq Innovation Inc.

Notes to Financial Statements

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3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

4 - FIRST-TIME ADOPTION OF IFRSs

These are the Company's first annual financial statements prepared in accordance with IFRSs. The date of transition to IFRSs is November 16, 2011, which is the date at which the Company started its activities.

The Company's IFRS accounting policies presented in Note 3 have been applied in preparing the financial statements for the nine-month periods ended October 31, 2014 and 2013 and for the years ended October 31, 2014, 2013 and 2012, as well as for the preparation of the statement of financial position as at November 16, 2011.

The Company has applied IFRS 1, "First-time Adoption of International Financial Reporting Standards" in preparing these first financial statements. The effects of the transition to IFRSs on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes.

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Company has applied the mandatory exceptions as set out below, and no optional exemptions were applied.

- The Company has used estimates under IFRSs that are consistent with those applied under previous generally accepted accounting principles (GAAPs) unless there is objective evidence that those estimates were in error;
- Financial assets and liabilities that had been derecognized under previous GAAPs have not been recognized under IFRSs.

Reconciliation of equity

The transition to IFRSs had no impact on the Company's deficit at the date of transition, after restatement for the correction of prior years errors as described in Note 5.

Nutaq Innovation Inc.

Notes to Financial Statements

October 31, 2014
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4 - FIRST-TIME ADOPTION OF IFRS (Continued)

Reconciliation of total comprehensive income

Net loss and total comprehensive income for the years ended October 31, 2013 and 2012 and for the nine-month period ended October 31, 2013, determined in accordance with IFRSs, are approximately equivalent to net earnings determined previously, after restatement for the correction of prior years errors as described in Note 5.

Statement of cash flows

Accounting standards regarding cash flows included in IFRSs are similar to those included in the previous accounting standards. The Company has not made any major adjustment to the statement of cash flows under IFRSs, after restatement for the correction of prior years errors as described in Note 5.

5 - CORRECTION OF PRIOR YEARS ERRORS

During the year, the Company retrospectively corrected its financial statements (that were prepared in accordance with previous GAAPs) with regard to the following:

- The Company had capitalized as intangible assets development costs that did not respect all the recognition criteria from the previous GAAPs. Those capitalized development costs, totalling \$1,220,963 as at October 31, 2013 (\$730,863 as at October 31, 2012 and \$0 as at November 16, 2011) were written off;
- The Company had recognized investment tax credits receivable for its fiscal years ended from 2005 to 2011. Following a litigation with the Canada Revenue Agency about those federal tax credits, the Tax Court of Canada sided with the Canada Revenue Agency in a judgement rendered on January 2013 and found that the Company had lost its Canadian-controlled private corporation status and the right to benefit from an additional 15% investment tax credit, and denied the eligibility of certain expenses.

As at October 31, 2013 and 2012, those investment tax credits totaled \$3,444,770 and were still recognized as tax credits receivable in the Company's financial statements. The Company contested the decision. Neither the possible outcome nor the amount of possible settlement can be foreseen (Note 23). An allowance for impairment was retroactively recognized with regard to those investment tax credits receivable;

- The Company had derecognized amounts received according to factoring transactions, totalling \$783,994 as at October 31, 2013 (\$0 as at October 31, 2012 and November 16, 2011), while the criteria to derecognize a financial asset were not met. These amounts were reclassified as current liabilities under "Loans payable".
- The Company had trade accounts receivable for the recovery of which there were disputes, totalling US\$2,350,314\$ (\$2,450,673 as at October 31, 2013 and \$2,347,964 as at October 31, 2012). Although there were significant indicators of impairment as at those dates, no write-down was recognized. An allowance for impairment was retroactively recognized with regard at those trade accounts receivable.

Nutaq Innovation Inc.
Notes to Financial Statements

October 31, 2014
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5 - CORRECTION OF PRIOR YEARS ERRORS (Continued)

The effects on the statements of financial position are the following:

	2013-10-31	2012-10-31
	<u> </u>	<u>Unaudited</u>
	\$	\$
Assets		
Current		
Accounts receivable	(1,666,679)	(2,347,964)
Scientific research and experimental development tax credits receivable	(3,444,770)	(3,444,770)
Long-term		
Intangible assets	<u>(1,220,963)</u>	<u>(730,863)</u>
	<u>(6,332,412)</u>	<u>(6,523,597)</u>
Liabilities		
Current		
Loans payable	783,994	
Deficiency		
Deficit	<u>(7,116,406)</u>	<u>(6,523,597)</u>
	<u>(6,332,412)</u>	<u>(6,523,597)</u>

The effects on the statement of comprehensive income and on the loss per share for each of the reporting period are the following:

	2013-10-31	2013-10-31	2012-10-31
	(9 months)	(12 months)	(12 months)
	<u>Unaudited</u>	<u> </u>	<u>Unaudited</u>
	\$	\$	\$
Earnings			
Expenses			
Administrative expenses			2,347,964
Research and development costs	366,587	490,100	730,863
Financial expenses	106,705	102,709	
Other loss			
Reversal of investment tax credits receivable			<u>3,444,770</u>
Loss and total comprehensive income for the year	<u>473,292</u>	<u>592,809</u>	<u>6,523,597</u>
Loss per share			
Basic and diluted loss per share	(0.08)	(0.10)	(1.05)

Nutaq Innovation Inc.

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6 - STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 15, "Revenues from Contracts with Customers"

In May 2014, the International Accounting Standards Board (IASB) published IFRS 15, which replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its financial statements.

IFRS 9, "Financial Instruments"

In July 2014, the IASB published IFRS 9 which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its financial statements.

7 - TRADE AND OTHER RECEIVABLES

	<u>2014-10-31</u>	<u>2013-10-31</u>	<u>2012-10-31</u>	<u>2011-11-16</u>
	\$	(Restated) \$	Restated and unaudited \$	Unaudited \$
Trade accounts receivable, gross	3,301,702	5,605,315	3,343,873	
Allowance for credit losses	(1,776,049)	(3,752,399)	(2,380,232)	
	1,525,653	1,852,916	963,641	
Indirect taxes receivable	126,172	132,319	74,136	7,100
	1,651,825	1,985,235	1,037,777	7,100

Nutaq Innovation Inc.

Notes to Financial Statements

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7 - TRADE AND OTHER RECEIVABLES (Continued)

All amounts are short-term amounts. Accordingly, the carrying amount of trade and other receivables is considered a reasonable approximation of their fair value.

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade accounts receivable were found to be impaired and an allowance for credit losses of \$337,612 for the nine-month period ended October 31, 2014, \$342,126 for the year ended October 31, 2014 (\$1,246,697 for the nine-month period and the year ended October 31, 2013; and \$2,380,232 for the year ended October 31, 2012) has been recorded accordingly within administrative expenses.

The movements in the allowance for credit losses is presented below:

	2014-10-31 (9 months)	2013-10-31 (9 months) Restated and unaudited	2014-10-31 (12 months)	2013-10-31 (12 months) Restated	2012-10-31 (12 months) Restated and unaudited
	\$	\$	\$	\$	\$
Opening balance	4,018,096	2,376,236	3,752,399	2,380,232	
Exchange difference on allowance for credit losses	(128,987)	129,466	132,126	125,470	
Written-off amounts	(2,450,672)		(2,450,672)		
Impairment loss	337,612	1,246,697	342,196	1,246,697	2,380,232
	<u>1,776,049</u>	<u>3,752,399</u>	<u>1,776,049</u>	<u>3,752,399</u>	<u>2,380,232</u>

An analysis of unimpaired trade accounts receivable that are past due is given in Note 21.

8 - INVENTORIES

	2014-10-31	2013-10-31	2012-10-31	2011-11-06
	\$	\$	Unaudited	Unaudited
	\$	\$	\$	\$
Raw materials	716,248	859,917	828,856	
Finished goods	502,797	1,053,426	221,322	
	<u>1,219,045</u>	<u>1,913,343</u>	<u>1,050,178</u>	

For the nine-month period ended October 31, 2014, a total of \$1,885,036, \$2,814,442 for the year ended October 31, 2014 (\$2,311,281 for the nine-month period ended October 31, 2013; \$2,580,578 for the year ended October 31, 2013; and \$1,468,511 for the year ended October 31, 2012) of inventories was included in profit or loss as an expense. This includes an amount of \$22,404 (\$111,216 for the year ended October 31, 2014; \$80,416 for the nine-month period ended October 31, 2013; \$109,535 for the year ended October 31, 2013; and \$0 for the year ended October 31, 2012) resulting from the write-down of inventories.

Nutaq Innovation Inc.
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9 - PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment and their carrying amounts are detailed as follows:

	2014-10-31 (12 months)			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2013	9,945	144,985	212,309	367,239
Additions		104,986	71,870	176,856
Balance as at October 31, 2014	<u>9,945</u>	<u>249,971</u>	<u>284,179</u>	<u>544,095</u>
Depreciation and impairment				
Balance as at November 1, 2013	2,574	27,719	33,920	64,213
Depreciation	1,843	33,468	48,181	83,492
Balance as at October 31, 2014	<u>4,417</u>	<u>61,187</u>	<u>82,101</u>	<u>147,705</u>
Carrying amount as at October 31, 2014	<u><u>5,528</u></u>	<u><u>188,784</u></u>	<u><u>202,078</u></u>	<u><u>396,390</u></u>
				2013-10-31 (12 months)
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2012	5,680	73,446	19,062	98,188
Additions	4,265	71,539	193,247	269,051
Balance as at October 31, 2013	<u>9,945</u>	<u>144,985</u>	<u>212,309</u>	<u>367,239</u>
Depreciation and impairment				
Balance as at November 1, 2012	532	7,345	2,988	10,865
Depreciation	2,042	20,374	30,932	53,348
Balance as at October 31, 2013	<u>2,574</u>	<u>27,719</u>	<u>33,920</u>	<u>64,213</u>
Carrying amount as at October 31, 2013	<u><u>7,371</u></u>	<u><u>117,266</u></u>	<u><u>178,389</u></u>	<u><u>303,026</u></u>

Nutaq Innovation Inc.
Notes to Financial Statements

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9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

				2012-10-31 (12 months) Unaudited
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 16, 2011				
Additions	5,680	73,446	19,062	98,188
Balance as at October 31, 2012	<u>5,680</u>	<u>73,446</u>	<u>19,062</u>	<u>98,188</u>
Depreciation and impairment				
Balance as at November 16, 2011				
Depreciation	532	7,345	2,988	10,865
Balance as at October 31, 2012	<u>532</u>	<u>7,345</u>	<u>2,988</u>	<u>10,865</u>
Carrying amount as at October 1, 2012	<u><u>5,148</u></u>	<u><u>66,101</u></u>	<u><u>16,074</u></u>	<u><u>87,323</u></u>

Depreciation charges for each of the reporting periods are included in profit or loss and detailed as follows:

	2014-10-31 (9 months)	2013-10-31 (9 months) Unaudited	2014-10-31 (12 months)	2013-10-31 (12 months)	2012-10-31 (12 months) Unaudited
	\$	\$	\$	\$	\$
Selling expenses	6,683	6,141	8,970	7,849	3,797
Administrative expenses	40,232	33,231	52,367	35,659	4,903
Research and development costs	17,159	8,846	22,155	9,840	2,165
	<u><u>64,074</u></u>	<u><u>48,218</u></u>	<u><u>83,492</u></u>	<u><u>53,348</u></u>	<u><u>10,865</u></u>

The majority of the Company's computer equipment is held under financial lease agreements. As at October 31, 2014, the net carrying amount of this computer equipment is \$106,236 (\$151,765 as at October 31, 2013; \$0 as at October 31, 2012; and as at November 16, 2011) and is included in computer equipment. Financial lease liabilities and future minimum financial lease payments are described in Note 13.

Nutaq Innovation Inc.
Notes to Financial Statements

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10 - INTANGIBLE ASSETS

The Company's intangible assets and their carrying amounts are detailed as follows:

	2014-10-31		
	(12 months)		
	Acquired software	Trademarks and others	Total
	\$	\$	\$
Gross carrying amount			
Balance as at November 1, 2013	315,365	27,509	342,874
Additions	<u>62,591</u>	<u>6,061</u>	<u>68,652</u>
Balance as at October 31, 2014	<u>377,956</u>	<u>33,570</u>	<u>411,526</u>
Depreciation and impairment			
Balance as at November 1, 2013	43,174		43,174
Depreciation	<u>44,461</u>		<u>44,461</u>
Balance as at October 31, 2014	<u>87,635</u>		<u>87,635</u>
Carrying amount as at October 31, 2014	<u>290,321</u>	<u>33,570</u>	<u>323,891</u>
			2013-10-31
			(12 months)
			Restated
	Acquired software	Trademarks and others	Total
	\$	\$	\$
Gross carrying amount			
Balance as at November 1, 2012		5,757	5,757
Additions	315,365	<u>21,752</u>	<u>337,117</u>
Balance as at October 31, 2013	<u>315,365</u>	<u>27,509</u>	<u>342,874</u>
Depreciation and impairment			
Balance as at November 1, 2012			
Depreciation	43,174		43,174
Balance as at October 31, 2013	<u>43,174</u>		<u>43,174</u>
Carrying amount as at October 31, 2013	<u>272,191</u>	<u>27,509</u>	<u>299,700</u>

Nutaq Innovation Inc.
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10 - INTANGIBLE ASSETS (Continued)

	2012-10-31 (12 months)		
	Restated and unaudited		
	Acquired software	Trademarks and others	Total
	\$	\$	\$
Gross carrying amount			
Balance as at November 16, 2011			
Additions		5,757	5,757
Balance as at October 31, 2012		5,757	5,757
Depreciation and impairment			
Balance as at November 16, 2011			
Depreciation			
Balance as at October 31, 2012			
Carrying amount as at October 31, 2012		5,757	5,757

All amortization charges are included within research and development costs in profit or loss.

11 - TRADE AND OTHER PAYABLES

	2014-10-31	2013-10-31	2012-10-31 Unaudited	2011-11-16 Unaudited
	\$	\$	\$	\$
Trade accounts payable and accrued liabilities				
Companies under common control	466,104	730,184	257,214	240,000
Directors	7,790	541	6,174	
Others	1,430,776	1,713,428	272,207	50,587
Salaries and payroll deduction payable	502,790	679,525	538,401	405,228
	2,407,460	3,123,678	1,073,996	695,815

The carrying amount of trade and other payables is considered a reasonable approximation of their fair value, given that all amounts are short-term amounts.

Nutaq Innovation Inc.

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12 - LOANS PAYABLE

	<u>2014-10-31</u> \$	2013-10-31 <u>Restated</u> \$	2012-10-31 <u>Unaudited</u> \$	2011-11-16 <u>Unaudited</u> \$
Loan from Investissement Québec (a)	90,560	858,000		
Loan from companies under common control (b)	940,132	783,994		
	<u>1,030,692</u>	<u>1,641,994</u>		

Given their short-term maturity, the carrying amount of loans receivable is considered a reasonable approximation of their fair value.

- (a) The loan bears interest at prime rate plus 4% (7%; 7% in 2013), is secured by a chattel mortgage on the universality of accounts receivable and scientific research and experimental development tax credits receivable having a carrying amount of \$2,254,586, and a guarantee for a maximum of \$170,000 from a director. The loan is payable in monthly instalments of \$12,937 and matures in May 2015 (in April 2014 as at October 31, 2013).
- (b) The loan from companies under common control is secured by a chattel mortgage on the universality of the Company's assets.

The loan from companies under common control relates to a factoring agreement for a maximum of \$2,500,000. As at October 31, 2014, the Company has \$1,223,927 (\$1,009,258 as at October 31, 2013) in accounts receivable that have been transferred in factoring to Finexcorp Inc. and 9134-8169 Québec inc., companies under common control, for which an amount of \$283,794 (\$225,264 as at October 31, 2013) has been retained as a factoring reserve.

These factoring agreements stipulate that the Company shall pay on time the government remittances and shall repay the loans received related to invoices that are past due over 105 days and 120 days, respectively. As at October 31, 2014, these terms are not respected.

13 - LONG-TERM DEBT

	<u>2014-10-31</u> \$	2013-10-31 \$	2012-10-31 <u>Unaudited</u> \$	2011-11-16 <u>Unaudited</u> \$
Notes payable to a shareholder (a)	1,467,195	1,429,215	400,000	
Term loan from Canada Economic Development (b)	360,000	264,803		
Obligation under a financial lease agreement with a company under common control (c)	87,813	140,621		

Nutaq Innovation Inc.

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13 - LONG-TERM DEBT (Continued)

	<u>2014-10-31</u>	<u>2013-10-31</u>	<u>2012-10-31</u>	<u>2011-11-16</u>
	\$	\$	Unaudited	Unaudited
			\$	\$
Notes payable to a company under common control (d)				
6% (15% in 2013), secured by a chattel mortgage on the universality of all the Company's assets	3,493,327	5,700,400	5,700,400	
6%		1,545,082	1,049,750	
Without interest		240,382	240,382	
Note payable to a company under common control			54,945	
	5,408,335	9,320,503	7,445,477	
Current portion	63,757	52,808		
	5,344,578	9,267,695	7,445,477	

- (a) The notes payable to a shareholder bear interest at 6%, have no repayment terms and include a note payable of US\$450,000 (\$507,195; \$469,215 as at October 31, 2013).
- (b) The term loan from Canada Economic Development does not bear interest, is payable in monthly instalments of \$6,000 on June 1, 2016 and matures in May 2021.
- (c) The obligation under a financial lease agreement with a company under common control is secured by computer equipment having a carrying amount of \$106,236, bears interest at a rate of 18.99%, is payable in monthly blended instalments of \$6,255 and matures in March 2016.
- (d) The notes payable to a company under common control are subordinated to Investissement Québec's debt for an amount up to \$6,500,000 and have no repayment terms.

Future minimum financial lease payments as at October 31, 2014 were as follows:

	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>After 5 years</u>	<u>2014-10-31</u>
	\$	\$	\$	Total
				\$
Lease payments	75,064	25,021		100,085
Financial charges	(11,307)	(965)		(12,272)
Net present values	63,757	24,056		87,813

The lease agreement includes fixed lease payments and a purchase option at the end of the term.

Nutaq Innovation Inc.

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13 - LONG-TERM DEBT (Continued)

Using discount rates of 7% and 10%, based on the Company's estimated incremental borrowing rates for secured and unsecured loans at the reporting date, respectively, and therefore reflecting the Company's credit position, the fair value of the long-term debt is estimated by discounting the estimated future cash outflows and totals \$5,282,710.

14 - SHARE CAPITAL

The Company's share capital consists only of fully paid shares of each of the following categories, each of an unlimited amount and without nominal value.

Class "A" shares, voting and participating

Class "B" shares, non-voting, with a monthly dividend, preferential on class "A" shares and non-cumulative of 1/2 of 1% of the paid-up capital, retractable at the paid-up capital amount

Class "C" shares, non-voting, with a monthly dividend, preferential on classes "A", "B" and "D" shares and non-cumulative of 1/2 of 1% of the redemption value, retractable at the fair value of the consideration received upon issuance

Class "D" shares, non-voting, with a monthly dividend, preferential on classes "A" and "B" shares and non-cumulative of 0.6% of the redemption value, redeemable at the fair value of the consideration received upon issuance

Classes "E" and "F" shares, non-voting, with a discretionary dividend, redeemable at the paid-up capital amount

	<u>2014-10-31</u>	<u>2013-10-31</u>
	\$	\$
Class "A" shares (Note 25) (a)	8,070,307	2,550,215
100 class "B" shares	100	100
	<u>8,070,407</u>	<u>2,550,315</u>

(a) The number of issued class "A" shares totals 10,424,696 as at October 31, 2014 (143 as at October 31, 2013 and October 31, 2012; and 100 as at November 16, 2011).

During the nine-month period and the year ended October 31, 2014, the Company issued 87 class "A" shares in exchange for repayment to a company under common control of notes payable of \$3,979,300 and trade accounts payable of \$1,179,800. The 230 class "A" shares issued were divided into 10,000,000 class "A" shares. Also, during the nine-month period and the year ended October 31, 2014, the Company issued 382,351 class "A" shares for a cash consideration of \$325,000 and 42,345 class "A" shares in compensation of management fees of \$35,992. The management fees consideration was included in profit or loss as an expense and the operation was measured at the fair value of services received.

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15 - LOSS PER SHARE

Basic and diluted loss per share have been calculated based on the net loss available for common shareholders by the weighted average number of common shares outstanding during the period. There were no adjustments to the numerator and denominator of basic earnings used in calculating diluted earnings.

16 - INCOME TAXES

Current tax expense

The reconciliation of income taxes computed at the Canadian statutory rates to the income tax expense recorded is as follows:

	<u>2014-10-31</u> <u>(9 months)</u> \$	2013-10-31 (9 months) Unaudited \$	<u>2014-10-31</u> <u>(12 months)</u> \$	2013-10-31 (12 months) \$	2012-10-31 (12 months) Unaudited \$
Income tax recovery calculated on the basis of the statutory rate in Canada of 26,9% (26,9% in 2013; 27,15% in 2012)	(683,934)	(528,778)	(938,444)	(706,201)	(1,706,703)
Increase (decrease) from the following items:					
Adjustment on asset acquisition					926,643
Non-deductible expenses	156,576	191,267	222,679	253,713	152,390
Non-taxable Quebec's income tax credit		(78,847)		(105,129)	(80,233)
Change in unrecognized deferred tax assets	528,806	400,330	704,254	550,039	711,990
Other	(1,448)	16,028	11,511	7,578	(4,087)
Income tax expense in the statements of comprehensive income	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

The major component of tax reconciliation of the expected tax expense based on the domestic tax rate for the Company (26,9% in 2014 and 2013; and 27,15% in 2012) and the reported tax expense in profit or loss (nil for each of the reporting periods) is the increase of unused tax losses and deductible temporary differences for which no deferred tax assets are recognized.

Nutaq Innovation Inc.

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16 - INCOME TAXES (Continued)

Deferred income taxes

Recognized deferred tax assets and liabilities:

	2014-10-31 (9 months)	2013-10-31 (9 months) Unaudited	2014-10-31 (12 months)	2013-10-31 (12 months)	2012-10-31 (12 months) Unaudited
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Deferred tax assets					
Non-capital losses	-----	48,032	-----	64,043	----- 125,445
Deferred tax liabilities					
Research and development tax credits receivable	-----	(48,032)	-----	(64,043)	----- (125,445)
	-----	(48,032)	-----	(64,043)	----- (125,445)
Deferred taxes, net	=====	=====	=====	=====	=====

Unrecognized deductible temporary differences and unused tax losses:

	2014-10-31	2013-10-31	2012-10-31 Unaudited
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Property, plant and equipment and intangible assets	199,378	137,134	132,211
Research and development expenses (a)	3,460,529	2,532,020	2,221,917
Other provision	37,980	65,833	124,259
Unused tax losses (b)	4,960,290	3,302,645	1,881,626
Financing expenses	33,708	33,504	24,000
Unrecognized deferred tax assets	<u>8,691,885</u>	<u>6,071,136</u>	<u>4,384,013</u>

(a) Temporary differences from unused research and development expenses shown in this table are those from the federal. For the provincial, the differences are respectively: \$11,968,761 as at October 31, 2014, \$11,040,252 as at October 31, 2013 and October 31, 2013, and \$9,921,711 as at October 31, 2012.

Nutaq Innovation Inc.

Notes to Financial Statements

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16 - INCOME TAXES (Continued)

(b) The Company has unused tax losses from its operations totalling \$4,960,290 for the federal and \$4,948,931 for the provincial that may be carried forward and applied against taxable income over the following periods:

	Federal \$	Provincial \$
Years ending October 31:		
2032	2,347,964	2,347,964
2033	1,192,760	1,192,760
2034	1,419,566	1,408,207
	<u>4,960,290</u>	<u>4,948,931</u>

17 - FINANCIAL EXPENSES

Financial costs consist of the following:

	2014-10-31 (9 months) \$	2013-10-31 (9 months) Unaudited \$	2014-10-31 (12 months) \$	2013-10-31 (12 months) \$	2012-10-31 (12 months) Unaudited \$
Foreign exchange gain	79,102	44,010	138,925	43,422	96,184
Factoring fees	333,471	125,945	428,530	130,805	
Bank charges	8,491	5,972	11,023	8,077	10,354
Interest expenses for financial liabilities at amortized cost:					
Current liabilities	150,021	61,100	182,036	61,119	33,796
Long-term liabilities	497,633	793,735	766,303	1,041,719	998,711
	<u>647,654</u>	<u>854,835</u>	<u>948,339</u>	<u>1,102,838</u>	<u>1,032,507</u>
Interest expense on financial lease agreements	15,718	17,533	22,183	17,533	
	<u>1,084,436</u>	<u>1,048,295</u>	<u>1,549,000</u>	<u>1,302,675</u>	<u>1,139,045</u>

18 - EMPLOYEE REMUNERATION

Expenses recognized for employee benefits such as wages, salaries and social security costs total \$2,240,317 for the nine-month period ended October 31, 2014, \$3,091,171 for the year ended October 31, 2014; (\$2,196,381 for the nine-month period ended October 31, 2013; \$2,890,295 for the year ended October 31, 2013; and \$2,226,154 for the year ended October 31, 2012).

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19 - OPERATING LEASES AS LESSOR

The Company leases an office and furniture under operating leases. The future lease payments are as follows:

Years ending October 31:	\$
2015	154,217
2016	4,080
2017	4,080
2018	4,080
2019	4,080
	<u>170,537</u>

The office's lease agreement expires in October 2015 and the furniture's lease agreement expires in January 2020.

The lease expense during the period amounts to the following, representing the minimum lease payments:

<u>2014-10-31</u> (9 months) \$	2013-10-31 (9 months) Unaudited \$	<u>2014-10-31</u> (12 months) \$	2013-10-31 (12 months) \$	2012-10-31 (12 months) Unaudited \$
<u>117,685</u>	<u>116,474</u>	<u>154,576</u>	<u>153,218</u>	<u>135,093</u>

Also, under a software license agreement, the Company committed to pay annual subscription fees for an amount of \$60,000 and royalties of US\$20 or US\$30 for each unit of license products sold.

20 - RELATED PARTY TRANSACTIONS

The Company's related parties include companies under common control as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Transactions with key management personnel

The Company's key management consists of the directors and executives. The key management personnel remuneration totals \$373,526 for the nine-month period ended October 31, 2014; \$488,809 for the year ended October 31, 2014 (\$459,741 for the nine-month period ended October 31, 2013; \$580,944 for the year ended October 31, 2013; and 456,760 for the year ended October 31, 2012).

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20 - RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

During the period, the Company entered into the following transactions with related parties:

	<u>2014-10-31</u> <u>(9 months)</u>	2013-10-31 (9 months) Unaudited	<u>2014-10-31</u> <u>(12 months)</u>	2013-10-31 (12 months)	2012-10-31 (12 months) Unaudited
	\$	\$	\$	\$	\$
Companies under common control					
Administrative expenses	254,891	114,294	266,561	122,475	129,377
Financial expenses	786,433	866,293	1,104,305	1,084,393	920,424
Companies controlled by a director					
Administrative expenses		96,000		132,000	84,000
Financial expenses		58		58	

21 - FINANCIAL INSTRUMENTS RISK

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its executives, and focuses on actively securing the Company's short to medium-term cash flows.

The Company does not actively engage in the trading of financial assets for speculative purposes and it does not write options.

The carrying amounts of the Company's financial assets and liabilities by category are as follows:

	<u>2014-10-31</u>	2013-10-31	2012-10-31 Unaudited	2011-11-16 Unaudited
	\$	\$	\$	\$
Financial assets classified as loans and receivables				
Cash	123,715	77,992	96,761	868
Trade accounts receivable	1,525,653	1,852,916	963,641	
Security deposits and deposits on purchase of goods	346,954	122,363	280,149	
	<u>1,996,322</u>	<u>2,053,271</u>	<u>1,340,551</u>	<u>868</u>

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21 - FINANCIAL INSTRUMENTS RISK (Continued)

	<u>2014-10-31</u>	<u>2013-10-31</u>	<u>2012-10-31</u>	<u>2011-11-16</u>
	\$	\$	Unaudited	Unaudited
	\$	\$	\$	\$
Financial liabilities carried at amortized cost				
Trade accounts payable	1,875,058	2,399,953	512,343	290,587
Loans payable	1,030,692	1,641,994		
Long-term debt	5,408,335	9,320,503	7,445,477	
	<u>8,314,085</u>	<u>13,362,450</u>	<u>7,957,820</u>	<u>290,587</u>

The most significant financial risks to which the Company is exposed are described below.

Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and foreign currency risk which result from its operating and financing activities.

– Interest rate risk and interest rate sensitivity:

The Company is exposed to changes in market interest rates through its loan payable at a variable interest rate.

A change in interest rates of 1% is considered to be reasonably possible based on the observation of current market conditions. Such a change in interest rates would not have a significant impact on the Company's loss or deficit for each reporting period.

– Foreign currency risk and foreign currency sensitivity:

The exposure to currency exchange rate fluctuations arises from the Company's sales outside Canada, which are primarily denominated in US dollars.

To mitigate the Company's exposure to foreign currency risk, non-Canadian cash flows are monitored, but no forward exchange contracts or other derivative financial instruments are entered into.

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21 - FINANCIAL INSTRUMENTS RISK (Continued)

Foreign currency-denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management, translated into Canadian dollars at the closing rate:

	<u>2014-10-31</u>	<u>2013-10-31</u>	<u>2012-10-31</u>	<u>2011-11-16</u>
	\$	\$	Unaudited	Unaudited
	\$	\$	\$	\$
Cash	18,410	13,348	82,308	56
Trade accounts receivable	1,345,882	1,683,150	907,272	
Trade and other payables	1,451,507	1,171,435	135,986	3,469
Long-term debt	507,195	792,452	304,695	

A change in exchange rates of 5% is considered to be reasonably possible based on the observation of current market conditions and the market risk volatility in exchange rates in the previous 12 months. All other things being equal, such a change in interest rates would have increased or decreased the net loss and deficit of \$29,700 for the nine-month period and the year ended October 31, 2014 (\$13,400 for the nine-month period and the year ended October 31, 2013; and 27,400 for the year ended October 31, 2012), based on the Company's foreign currency financial instruments held at each reporting date.

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk mainly due to trade accounts receivable from its customers. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at its reporting date.

The Company continuously monitors defaults of customers, and incorporates this information into its credit risk controls.

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21 - FINANCIAL INSTRUMENTS RISK (Continued)

The Company's management considers that all of its financial assets that are not impaired or past due are of good credit quality. As at its reporting date, the Company has certain trade accounts receivable that have not been settled by the contractual due date but that are not considered to be impaired. The amounts analyzed by the length of time past due are the following:

	<u>2014-10-31</u>	<u>2013-10-31</u>	<u>2012-10-31</u>	<u>2011-11-16</u>
	\$	\$	Unaudited	Unaudited
			\$	\$
No more than three months	863,368	1,087,557	415,133	
More than three months but no more than six months	178,309	259,726	156,623	
More than six months but no more than one year	250,049	92,783	57,373	
More than one year	233,927	412,850	334,512	
	<u>1,525,653</u>	<u>1,852,916</u>	<u>963,641</u>	

As at October 31, 2014, there are disputes for the recovery of some receivables. The total value of these receivables as at October 31, 2014 is \$206,461 (\$511,894 as at October 31, 2013; \$378,156 as at October 31, 2012; and \$0 as at November 16, 2011) and no allowance has been recorded. Management has taken steps to recover these amounts, but neither the possible outcome nor the amount of possible settlements can be foreseen.

The Company is exposed to a credit risk concentration because 57% of trade accounts receivable are due from one customer (68% from two customers as at October 31, 2013 and 46% from two customers as at October 31, 2012)

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring forecasts of cash inflows and outflows due in day-to-day business. Net cash requirements on day-to-day, week-to-week and 30-day projections are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient since financing facilities are already in place.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade accounts receivables. The Company's existing cash resources and its trade accounts receivable are insufficient to cover the current cash outflow requirement and, therefore, the Company has available borrowing facilities. Cash flows from trade and other receivables are all contractually due within six months.

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21 - FINANCIAL INSTRUMENTS RISK (Continued)

The Company's financial liabilities have contractual maturities (including interest payments, where applicable) which are summarized below:

	2014-10-31				
	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	1,875,058				1,875,058
Loans payable	1,019,729	13,011			1,032,740
Long-term debt	186,348	186,348	5,345,543		5,718,239
	<u>3,081,135</u>	<u>199,359</u>	<u>5,345,543</u>		<u>8,626,037</u>
					2013-10-31
	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	2,399,953				2,399,953
Loans payable	1,201,428	334,071	130,468		1,665,967
Long-term debt	552,206	552,206	9,302,222		10,406,634
	<u>4,153,587</u>	<u>886,277</u>	<u>9,432,690</u>		<u>14,472,554</u>
					2012-10-31 Unaudited
	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	512,343				512,343
Loans payable	471,023	471,023	7,445,477		8,387,523
Long-term debt	983,366	471,023	7,445,477		8,899,866

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21 - FINANCIAL INSTRUMENTS RISK (Continued)

					2011-11-16
					Unaudited
	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years	Total
\$	\$	\$	\$	\$	
Trade and other payables	290,587				290,587
	<u>290,587</u>				<u>290,587</u>

These amounts reflect the contractual undiscounted cash flows, and therefore may differ from the carrying amounts of the liabilities at the reporting date.

Fair value

Financial assets and financial liabilities measured at amortized cost for which the fair value is disclosed in the statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

All of the Company's financial liabilities are included into Level 2. The fair value was determined based on discounted cash flows using effective interest rates available to the Company at the closing date for similar instruments.

22 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to its shareholders by pricing its services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity and management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. In order to adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Nutaq Innovation Inc.

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23 - LITIGATION

There is a litigation with the Canada Revenue Agency about federal tax credits from 2005 to 2009. The Tax Court of Canada sided with the Canada Revenue Agency in a judgement rendered in January 2013 for the years 2005 to 2007. The Tax Court of Canada found that the Company had lost its Canadian-controlled private corporation status and the right to benefit from an additional 15% investment tax credit, and denied the eligibility of certain expenses. For those years, the Tax Court granted amounts of \$1,054,509 which will apply against tax liabilities. The Company contested this decision. An allowance for impairment of \$3,444,770 was recognized in the financial statements. As at November 17, 2014, the Federal Court of Appeal sided with the Tax Court of Canada in a judgement rendered in January 2013. The Company has decided to contest that decision before the Superior Court of Canada. The allowance for impairment of 3,444,770\$ has been written off as at October 31, 2014.

There is a litigation with one customer about trade accounts receivable totalling US\$2,350,314. An allowance for credit losses was recognized in the financial statements. As at October 31, 2014, the amount has been written off.

24 - SEGMENT INFORMATION

The Company has examined its activities and has determined that, based on information reviewed on a regular basis by the main decision-makers, it has a single reportable segment.

The following information provides the required entity-wide disclosures:

	2014-10-31 (9 months)	2013-10-31 (9 months) Unaudited	2014-10-31 (12 months)	2013-10-31 (12 months)	2012-10-31 (12 months) Unaudited
	\$	\$	\$	\$	\$
Rendering of services	490,687	2,064,826	676,455	2,485,161	2,925,622
Sale of goods	3,329,918	3,555,140	4,916,975	3,919,719	2,412,614
Total	3,820,605	5,619,966	5,593,430	6,404,880	5,338,236

The Company's revenue from external customers is divided into the following geographical areas:

	2014-10-31 (9 months)	2013-10-31 (9 months) Unaudited	2014-10-31 (12 months)	2013-10-31 (12 months)	2012-10-31 (12 months) Unaudited
	\$	\$	\$	\$	\$
Canada	197,473	644,751	348,083	673,721	930,539
United States	2,492,272	2,637,615	3,366,653	2,955,799	2,697,263
Other countries	1,130,860	2,337,600	1,878,694	2,775,360	1,710,434
Total	3,820,605	5,619,966	5,593,430	6,404,880	5,338,236

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24 - SEGMENT INFORMATION (Continued)

The Company is exposed to a credit risk concentration because 37% of its revenues are from one customer for the nine-month period ended October 31, 2014, 41% for the year ended October 31, 2014 (52% from two customers for the nine-month period ended October 31, 2013; 42% from two customers for the year ended October 31, 2013; and 20% from one customer for the year ended October 31, 2012).

All of the Company's non-current assets are located in Canada.

25 - POST-REPORTING DATE EVENTS

A subscription agreement, signed on July 15, 2014, allows a purchaser to buy for a minimum of 1,176,471 shares up to 7,000,000 class "A" shares of the Company within a period of 160 days after the signing of this agreement. As at January 29, 2015, the Company has issued 343,825 class "A" shares for a cash consideration of \$295,000 and 789,115 class "A" shares in compensation for management fees of \$670,748.