

Nutaq Innovation Inc.
**Condensed Interim
Financial Statements
January 31, 2015 and
January 31, 2014**

Financial Statements

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Nutaq Innovation Inc.**Condensed Interim Statements of Comprehensive Income**

Three-month periods ended January 31, 2015 and January 31, 2014

(In Canadian dollars)

(Unaudited)

	<u>2015-01-31</u>	<u>2014-01-31</u>
	\$	\$
Revenue	1,974,172	1,772,825
Cost of sales	968,573	1,596,696
Gross profit	1,005,599	176,129
Selling expenses	284,178	263,944
Administrative expenses	1,082,005	327,004
Financial expenses	302,399	464,564
Research and development costs, net of \$132,340 in tax credits for the three-month period ended January 31, 2015 (\$136,489 for the three-month period ended January 31, 2014)	203,687	66,752
	1,872,269	1,122,264
Net loss and total comprehensive income	(866,670)	(946,135)
Loss per share (Note 9)		
Basic and diluted loss per share	(0.08)	(0.15)
Weighted average number of outstanding common shares	11,075,927	6,217,391

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

Nutaq Innovation Inc.**Condensed Interim Statements of Changes in Deficiency**

Three-month periods ended January 31, 2015 and January 31, 2014

(In Canadian dollars)

(Unaudited)

	2015-01-31		
	<u>Share capital</u>	<u>Deficit</u>	<u>Total deficiency</u>
	\$	\$	\$
Balance as at November 1, 2014	8,070,407	(13,088,169)	(5,017,762)
Issue of share capital and total transactions with owners (Note 8)	988,665		988,665
Net loss and total comprehensive income for the period		(866,670)	(866,670)
Balance as at January 31, 2015	<u>9,059,072</u>	<u>(13,954,839)</u>	<u>(4,895,767)</u>
	2014-01-31		
	<u>Share capital</u>	<u>Deficit</u>	<u>Total deficiency</u>
	\$	\$	\$
Balance as at November 1, 2013	2,550,315	(9,599,530)	(7,049,215)
Net loss and total comprehensive income for the period		(946,135)	(946,135)
Balance as at January 31, 2014	<u>2,550,315</u>	<u>(10,545,665)</u>	<u>(7,995,350)</u>

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

Nutaq Innovation Inc.**Condensed Interim Statements of Cash Flows**

Three-month periods ended January 31, 2015 and January 31, 2014

(In Canadian dollars)

(Unaudited)

	<u>2015-01-31</u>	<u>2014-01-31</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(866,670)	(946,135)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	25,358	19,418
Depreciation of intangible assets	11,495	11,133
Exchange difference on long-term debt	64,800	54,036
Issue of class "A" shares for a non-cash consideration	696,415	
Net change in working capital items		
Trade and other receivables	641,842	(427,537)
Scientific research and experimental development tax credits receivable	(132,340)	535,655
Work in progress	(46,795)	30,027
Inventories	1,677	698,900
Prepaid expenses	(25,882)	(49,469)
Security deposits and deposits on purchase of goods	(190,525)	(265,000)
Trade and other payables	494,944	380,931
Deferred revenue	(1,159)	80,270
Net cash from operating activities	<u>673,160</u>	<u>122,229</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(178,514)	(45,417)
Purchase of intangible assets	(3,022)	(21,780)
Net cash used in investing activities	<u>(181,536)</u>	<u>(67,197)</u>
FINANCING ACTIVITIES		
Net change in loan payable	(583,880)	(131,164)
Long-term debt		
Repayment of long-term debt	(14,797)	(12,228)
Issue of class "A" shares	50,000	
Net cash used in financing activities	<u>(548,677)</u>	<u>(143,392)</u>
Net decrease in cash	(57,053)	(88,360)
Cash, beginning of period	123,715	77,992
Cash (bank overdraft), end of period	<u>66,662</u>	<u>(10,368)</u>
Supplementary information		
Interest paid included in operating activities	82,576	291,818

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

Nutaq Innovation Inc.**Condensed Interim Statements of Financial Position**

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

	<u>2015-01-31</u>	<u>2014-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	66,662	123,715
Trade and other receivables	1,009,983	1,651,825
Subscriptions receivable	242,250	
Scientific research and experimental development tax credits receivable	735,101	602,761
Work in progress	46,795	
Inventories (Note 4)	1,217,368	1,219,045
Prepaid expenses	46,803	20,921
Security deposits and deposits on purchase of goods	537,479	346,954
Current assets	<u>3,902,441</u>	<u>3,965,221</u>
Non-current		
Property, plant and equipment (Note 5)	549,546	396,390
Intangible assets	315,418	323,891
Non-current assets	<u>864,964</u>	<u>720,281</u>
Total assets	<u><u>4,767,405</u></u>	<u><u>4,685,502</u></u>
LIABILITIES		
Current		
Trade and other payables	2,902,404	2,407,460
Deferred revenue	855,618	856,777
Loans payable (Note 6)	446,812	1,030,692
Current portion of long-term debt	66,857	63,757
Current liabilities	<u>4,271,691</u>	<u>4,358,686</u>
Non-current		
Long-term debt (Note 7)	5,391,481	5,344,578
Total liabilities	<u><u>9,663,172</u></u>	<u><u>9,703,264</u></u>
DEFICIENCY		
Share capital (Note 8)	9,059,072	8,070,407
Deficit	<u>(13,954,839)</u>	<u>(13,088,169)</u>
Total deficiency	<u><u>(4,895,767)</u></u>	<u><u>(5,017,762)</u></u>
Total deficiency and liabilities	<u><u>4,767,405</u></u>	<u><u>4,685,502</u></u>

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

Nutaq Innovation Inc.

Notes to Condensed Interim Financial Statements

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

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.

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Accordingly, they do not include all the disclosures required under IFRS for annual financial statements. These condensed interim financial statements should be read in conjunction with the 2014 audited annual financial statements. 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 three-month period ended January 31, 2015 and the past years, the working capital deficiency as at January 31, 2015 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, which are already included 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. Adding to the above, the Company has presently a financing agreement in place for financing the invoices and purchase orders to a maximum of \$2,500,000 (Note 6). 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 condensed interim financial statements and the condensed interim statements of financial position's classification have not been adjusted as would be required if the going concern assumption were not appropriate.

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on June 9, 2015.

Nutaq Innovation Inc.

Notes to Condensed Interim Financial Statements

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

3 - SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The accounting policies are in accordance with those used in the preparation of the 2014 annual financial statements.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the condensed interim 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.

The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended October 31, 2014.

4 - INVENTORIES

	<u>2015-01-31</u>	<u>2014-10-31</u>
	\$	\$
Raw materials	711,290	716,248
Finished goods	506,078	502,797
	<u>1,217,368</u>	<u>1,219,045</u>

For the three-month period ended January 31, 2015, a total of \$15,348 (\$88,812 for the three-month period ended January 31, 2014) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

Nutaq Innovation Inc.

Notes to Condensed Interim Financial Statements

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

5 - PROPERTY, PLANT AND EQUIPMENT

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

	2015-01-31			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2014	9,945	249,971	284,179	544,095
Additions		174,046	4,468	178,514
Balance as at January 31, 2015	<u>9,945</u>	<u>424,017</u>	<u>288,647</u>	<u>722,609</u>
Depreciation				
Balance as at November 1, 2014	4,417	61,187	82,101	147,705
Depreciation	345	11,296	13,717	25,358
Balance as at January 31, 2015	<u>4,762</u>	<u>72,483</u>	<u>95,818</u>	<u>173,063</u>
Carrying amount as at January 31, 2015	<u><u>5,183</u></u>	<u><u>351,534</u></u>	<u><u>192,829</u></u>	<u><u>549,546</u></u>

6 - LOANS PAYABLE

	2015-01-31	2014-10-31
	\$	\$
Loan from Investissement Québec (a)	51,749	90,560
Loan from companies under common control (b)	395,063	940,132
	<u><u>446,812</u></u>	<u><u>1,030,692</u></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 2014), 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 \$1,745,084, 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.

Nutaq Innovation Inc.

Notes to Condensed Interim Financial Statements

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

6 - LOANS PAYABLE (Continued)

- (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 January 31, 2015, the Company has \$1,003,395 (\$1,223,927 as at October 31, 2014) in accounts receivable and scientific research and experimental development tax credits receivable that have been transferred in factoring to Finexcorp Inc. and 9134-8169 Québec inc., companies under common control, for which an amount of \$608,332 (\$283,794 as at October 31, 2014) 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 January 31, 2015, these terms are not respected.

7 - LONG-TERM DEBT

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 \$5,338,622.

8 - SHARE CAPITAL

	<u>2015-01-31</u>	<u>2014-10-31</u>
	\$	\$
Class "A" shares (a)	9,058,972	8,070,307
100 class "B" shares	100	100
	<u>9,059,072</u>	<u>8,070,407</u>

- (a) The number of issued class "A" shares totals 11,587,832 as at January 31, 2015 (10,424,696 as at October 31, 2014)

During the three-month period ended January 31, 2015, the Company issued 343,823 class "A" shares, for a cash consideration of \$50,000 and subscriptions receivable of \$242,250, and 819,313 class "A" shares in compensation of management fees of \$696,415, of which \$425,000 are from a company under common control. 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.

Nutaq Innovation Inc.

Notes to Condensed Interim Financial Statements

As at January 31, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

9 - LOSS PER SHARE

Basic and diluted losses 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.

10 - 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.

Other related party transactions

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

	<u>2015-01-31</u> <u>(3 months)</u>	<u>2014-01-31</u> <u>(3 months)</u>
	\$	\$
Companies under common control		
Administrative expenses	485,243	11,670
Financial expenses	133,952	317,872

11 - POST-REPORTING DATE EVENTS

As at June 9, 2015, the Company issued 235,295 class "A" shares in exchange for repayment to a company under common control of notes payable of \$200,000 and 180,000 class "A" shares in compensation of management fees of \$153,000.

On June 2, 2015, Nuran Wireless Inc. (Nuran) acquired all of the issued and outstanding shares of the Company pursuant to a three-cornered amalgamation of Nuran's wholly-owned subsidiary, 9215174 Canada Inc., and the Company, in consideration for 32,999,994 common shares.

The transaction constitutes a reverse acquisition of Nuran as Nuran was identified as the accounting acquiree and the Company, the accounting acquirer. As Nuran does not qualify as a business, the reverse acquisition transaction does not constitute a business combination; it will rather be treated as deemed issuance of shares by the Company, for the net monetary assets of Nuran and a cost of listing.