

**Nutaq Innovation Inc.**  
**Condensed Interim  
Financial Statements**  
**April 30, 2015 and  
April 30, 2014**

Financial Statements

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The condensed interim financial statements of Nutaq Innovation inc. for the second quarter ended April 30, 2015 as well as the corresponding comparative data were not subject to a review by the Company's auditor.

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

Periods ended April 30, 2015 and April 30, 2014

(In Canadian dollars)

(Unaudited)

	<i>3 months ended</i>		<i>6 months ended</i>	
	<u>2015-04-30</u>	<u>2014-04-30</u>	<u>2015-04-30</u>	<u>2014-04-30</u>
	\$	\$	\$	\$
<b>Revenue</b>	<b>2 067 596</b>	1 387 121	<b>4 041 768</b>	3 159 946
Cost of sales	<b>1 308 729</b>	905 378	<b>2 277 302</b>	2 502 074
<b>Gross profit</b>	<b>758 867</b>	481 743	<b>1 764 466</b>	657 872
Selling expenses	<b>219 365</b>	261 630	<b>503 543</b>	525 574
Administrative expenses	<b>601 623</b>	257 331	<b>1 683 628</b>	584 335
Financial expenses	<b>140 882</b>	586 117	<b>443 281</b>	1 050 681
Research and development costs, net of \$149,131 in tax credits for the three-month period ended April 30, 2015, \$281,472 for the six-month period ended April 30, 2015 (\$140,779 for the three-month period ended April 30, 2014, \$277,268 for the six-month period ended April 30, 2014)	<b>204 909</b>	219 511	<b>408 596</b>	286 263
	<b>1 166 779</b>	1 324 589	<b>3 039 048</b>	2 446 853
<b>Net loss and total comprehensive income</b>	<b>(407 912)</b>	(842 846)	<b>(1 274 582)</b>	(1 788 981)
<b>Loss per share (Note 9)</b>				
Basic and diluted loss per share	<b>(0,04)</b>	(0,14)	<b>(0,11)</b>	(0,29)
Weighted average number of outstanding common shares	<b>11 445 485</b>	6 217 391	<b>11 257 644</b>	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

Periods ended April 30, 2015 and April 30, 2014

(In Canadian dollars)

(Unaudited)

	<b>2015-04-30</b>		
	<u>Share capital</u>	<u>Deficit</u>	<u>Total deficiency</u>
	\$	\$	\$
<b>Balance as at November 1, 2014</b>	<b>8 070 407</b>	<b>(13 088 169)</b>	<b>(5 017 762)</b>
Issue of share capital and total transactions with owners (Note 8)	<b>1 341 665</b>		<b>1 341 665</b>
Net loss and total comprehensive income for the period		<b>(1 274 582)</b>	<b>(1 274 582)</b>
<b>Balance as at April 30, 2015</b>	<b>9 412 072</b>	<b>(14 362 751)</b>	<b>(4 950 679)</b>
			<b>2014-04-30</b>
	<u>Share capital</u>	<u>Deficit</u>	<u>Total deficiency</u>
	\$	\$	\$
<b>Balance as at November 1, 2013</b>	<b>2 550 315</b>	<b>(9 599 530)</b>	<b>(7 049 215)</b>
Net loss and total comprehensive income for the period		<b>(1 788 981)</b>	<b>(1 788 981)</b>
<b>Balance as at April 30, 2014</b>	<b>2 550 315</b>	<b>(11 388 511)</b>	<b>(8 838 196)</b>

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

## Nutaq Innovation Inc.

### Condensed Interim Statements of Cash Flows

Periods ended April 30, 2015 and April 30, 2014

(In Canadian dollars)

(Unaudited)

	<b>2015-04-30</b>	2014-04-30
	<b>(6 months)</b>	(6 months)
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(1 274 582)</b>	(1 788 981)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	<b>54 499</b>	41 578
Depreciation of intangible assets	<b>22 991</b>	21 522
Exchange difference on long-term debt	<b>35 686</b>	40 508
Issue of class "A" shares for a non-cash consideration	<b>849 415</b>	
Net change in working capital items		
Trade and other receivables	<b>602 982</b>	212 559
Subscription receivable	<b>150 000</b>	
Scientific research and experimental development tax credits receivable	<b>(281 472)</b>	394 876
Work in progress		63 919
Inventories	<b>(223 563)</b>	805 873
Prepaid expenses	<b>(24 191)</b>	(30 488)
Security deposits and deposits on purchase of goods	<b>131 810</b>	(68 349)
Trade and other payables	<b>781 085</b>	797 338
Deferred revenue	<b>(37 567)</b>	(82 990)
Net cash from operating activities	<b>787 093</b>	407 367
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(190 791)</b>	(61 197)
Purchase of intangible assets	<b>(8 939)</b>	(64 383)
Net cash used in investing activities	<b>(199 730)</b>	(125 580)
<b>FINANCING ACTIVITIES</b>		
Net change in loan payable	<b>(509 566)</b>	(327 238)
Long-term debt		
Repayment of long-term debt	<b>(30 391)</b>	(25 189)
Issue of class "A" shares	<b>50 000</b>	
Net cash used in financing activities	<b>(489 957)</b>	(352 427)
<b>Net decrease in cash</b>	<b>97 406</b>	(70 640)
Cash, beginning of period	<b>123 715</b>	77 992
Cash, end of period	<b>221 121</b>	7 352
<b>Supplementary information</b>		
Interest paid included in operating activities	<b>200 796</b>	569 458

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

## Nutaq Innovation Inc.

### Condensed Interim Statements of Financial Position

As at April 30, 2015 and October 31, 2014

(In Canadian dollars)

(Unaudited)

	<u>2015-04-30</u>	<u>2014-10-31</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	221 121	123 715
Trade and other receivables	1 048 843	1 651 825
Subscriptions receivable	92 250	
Scientific research and experimental development tax credits receivable	884 233	602 761
Inventories (Note 4)	1 442 608	1 219 045
Prepaid expenses	45 112	20 921
Security deposits and deposits on purchase of goods	215 144	346 954
Current assets	<u>3 949 311</u>	<u>3 965 221</u>
Non-current		
Property, plant and equipment (Note 5)	532 682	396 390
Intangible assets	309 839	323 891
Non-current assets	<u>842 521</u>	<u>720 281</u>
Total assets	<u><u>4 791 832</u></u>	<u><u>4 685 502</u></u>
<b>LIABILITIES</b>		
Current		
Trade and other payables	2 988 545	2 407 460
Deferred revenue	819 210	856 777
Loans payable (Note 6)	521 126	1 030 692
Current portion of long-term debt	66 350	63 757
Current liabilities	<u>4 395 231</u>	<u>4 358 686</u>
Non-current		
Long-term debt (Note 7)	<u>5 347 280</u>	<u>5 344 578</u>
Total liabilities	<u><u>9 742 511</u></u>	<u><u>9 703 264</u></u>
<b>DEFICIENCY</b>		
Share capital (Note 8)	9 412 072	8 070 407
Deficit	<u>(14 362 751)</u>	<u>(13 088 169)</u>
Total deficiency	<u><u>(4 950 679)</u></u>	<u><u>(5 017 762)</u></u>
Total deficiency and liabilities	<u><u>4 791 832</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 April 30, 2015 and April 30, 2014

(In Canadian dollars)

(Unaudited)

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### **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 six-month period ended April 30, 2015 and the past years, the working capital deficiency as at April 30, 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 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 29, 2015.

# Nutaq Innovation Inc.

## Notes to Condensed Interim Financial Statements

As at April 30, 2015 and April 30, 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>2015-04-30</u>	<u>2014-10-31</u>
	\$	\$
Raw materials	883 249	716 248
Finished goods	<u>559 359</u>	<u>502 797</u>
	<u>1 442 608</u>	<u>1 219 045</u>

For the six-month period ended April 30, 2015, \$15,348, \$0 for the three-month period ended April 30, 2015 (\$111,216 for the six-month period ended April 30, 2014, \$22,404 for the three-month period ended April 30, 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 April 30, 2015 and April 30, 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:

	<u>2015-04-30</u>			
	<u>Leasehold improvements</u>	<u>Equipment and furniture, tele- communication system, furniture and fixtures</u>	<u>Computer equipment</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance as at November 1, 2014	9 945	249 971	284 179	544 095
Additions		<u>186 323</u>	<u>4 468</u>	<u>190 791</u>
Balance as at April 30, 2015	<u>9 945</u>	<u>436 294</u>	<u>288 647</u>	<u>734 886</u>
<b>Depreciation</b>				
Balance as at November 1, 2014	4 417	61 187	82 101	147 705
Depreciation	<u>691</u>	<u>26 215</u>	<u>27 593</u>	<u>54 499</u>
Balance as at April 30, 2015	<u>5 108</u>	<u>87 402</u>	<u>109 694</u>	<u>202 204</u>
<b>Carrying amount as at April 30, 2015</b>	<u><u>4 837</u></u>	<u><u>348 892</u></u>	<u><u>178 953</u></u>	<u><u>532 682</u></u>

#### 6 - LOANS PAYABLE

	<u>2015-04-30</u>	<u>2014-10-31</u>
	\$	\$
Loan from Investissement Québec (a)	12 937	90 560
Loan from companies under common control (b)	<u>508 189</u>	940 132
	<u><u>521 126</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 \$1,933,076, and a guarantee for a maximum of \$170,000 from a director. The loan is payable in monthly instalments of \$9,223 and matures in September 2015.



## Nutaq Innovation Inc.

### Notes to Condensed Interim Financial Statements

As at April 30, 2015 and April 30, 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 April 30, 2015, the Company has \$1,053,430 (\$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 \$545,241 (\$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 April 30, 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 \$5,339,586.

#### 8 - SHARE CAPITAL

	<u>2015-04-30</u>	<u>2014-10-31</u>
	\$	\$
Class "A" shares (a)	9 411 972	8 070 307
100 class "B" shares	100	100
	<u>9 412 072</u>	<u>8 070 407</u>

- (a) The number of issued class "A" shares totals 12,003,127 as at April 30, 2015 (10,424,696 as at October 31, 2014)

During the six-month period ended April 30, 2015, the Company issued 343,823 class "A" shares, for a cash consideration of \$50,000 and subscription receivable of \$242,250, 999,313 class "A" shares in compensation of management fees of \$849,415, of which \$425,000 are from a company under common control, and 235,295 class "A" shares in exchange for repayment to a company under common control of notes payable of \$200,000. 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 April 30, 2015 and April 30, 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:

	<b>2015-04-30</b> <b>(3 months)</b>	2014-04-30 (3 months)	<b>2015-04-30</b> <b>(6 months)</b>	2014-04-30 (6 months)
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Companies under common control				
Administrative expenses	<b>210 000</b>	35 752	<b>695 243</b>	47 422
Financial expenses	<b>154 094</b>	312 675	<b>288 046</b>	630 547

#### 11 - POST-REPORTING DATE EVENTS

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.