

**Nuran Wireless Inc.**  
**Consolidated Financial Statements**  
**October 31, 2015 and 2014**

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Raymond Chabot  
Grant Thornton

## Independent Auditor's Report

To the Shareholders of  
Nuran Wireless Inc.

Raymond Chabot Grant Thornton LLP

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We have audited the accompanying consolidated financial statements of Nuran Wireless Inc., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014 and the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial performance and cash flows for the year ended October 31, 2014, as well as for our unmodified audit opinion on the consolidated financial position as at October 31, 2014 and on the consolidated financial statements for the year ended October 31, 2015.

**Basis for qualified opinion on the financial performance and cash flows**

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

**Qualified opinion on the financial performance and cash flows**

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion on the financial performance and cash flows" paragraph, the consolidated statements of comprehensive income, changes in equity and cash flows present fairly, in all material respects the financial performance and cash flows of Nuran Wireless Inc. for the year ended October 31, 2014 in accordance with International Financial Reporting Standards.

**Opinion on the financial position, financial performance and cash flows**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nuran Wireless Inc. as at October 31, 2014 and 2015, as well as its financial performance and its cash flows for the year ended October 31, 2015 in accordance with International Financial Reporting Standards.

**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 LLP<sup>1</sup>*

Québec  
February 2, 2016

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A119912



**Nuran Wireless Inc.****Consolidated Statements of Comprehensive Income**

Years ended October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Revenue (Note 22)</b>	<b>7,807,455</b>	5,593,430
Cost of sales	<u>4,717,468</u>	<u>3,833,638</u>
<b>Gross profit</b>	<u>3,089,987</u>	<u>1,759,792</u>
Selling expenses	954,158	1,089,253
Administrative expenses	2,637,319	1,812,831
Financial expenses (Note 16)	946,144	1,549,000
Research and development costs, net of \$1,318,945 in tax credits for the year ended October 31, 2015 (\$507,282 for the year ended October 31, 2014)	<u>220,228</u>	<u>846,080</u>
	<u>4,757,849</u>	<u>5,297,164</u>
Loss before other government assistance	<u>(1,667,862)</u>	<u>(3,537,372)</u>
Government assistance		48,733
<b>Net loss and total comprehensive income</b>	<u>(1,667,862)</u>	<u>(3,488,639)</u>
<b>Loss per share (Note 14)</b>		
Basic and diluted loss per share	<u>(0.04)</u>	<u>(0.19)</u>
Weighted average number of outstanding common shares	<u>37,115,850</u>	<u>18,081,911</u>

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

**Nuran Wireless Inc.**  
**Consolidated Statements of Changes in Equity**

Years ended October 31, 2015 and 2014

				2015
	Number	Share capital \$	Deficit \$	Total deficiency \$
<b>Balance as at November 1, 2014</b>	<b>10,424,796</b>	<b>8,070,407</b>	<b>(13,088,169)</b>	<b>(5,017,762)</b>
Issue of shares from Nutaq Innovation Inc. (Note 13)	1,578,431	1,341,665		1,341,665
Issue of shares from the Company (Notes 3 and 13)	7,471,875	107,001		107,001
Acquisition of the issued and outstanding shares of Nutaq Innovation Inc. by the Company (Notes 3 and 13)	(12,003,227)			
Issue of shares from the Company to Nutaq Innovation Inc.'s shareholders (Notes 3 and 13)	32,999,994			
Net loss and total comprehensive income for the year			(1,667,862)	(1,667,862)
<b>Balance as at October 31, 2015</b>	<b>40,471,869</b>	<b>9,519,073</b>	<b>(14,756,031)</b>	<b>(5,236,958)</b>
				2014
	Number	Share capital \$	Deficit \$	Total deficiency \$
<b>Balance as at November 1, 2013</b>	<b>243</b>	<b>2,550,315</b>	<b>(9,599,530)</b>	<b>(7,049,215)</b>
Issue of shares from Nutaq Innovation Inc.	87	5,159,100		5,159,100
Conversion of shares from Nutaq Innovation Inc.	9,999,770			
Issue of shares from Nutaq Innovation Inc.	424,696	360,992		360,992
Net loss and total comprehensive income for the year			(3,488,639)	(3,488,639)
<b>Balance as at October 31, 2014</b>	<b>10,424,796</b>	<b>8,070,407</b>	<b>(13,088,169)</b>	<b>(5,017,762)</b>

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

**Nuran Wireless Inc.**  
**Consolidated Statements of Cash Flows**  
Years ended October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,667,862)	(3,488,639)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	110,797	83,492
Depreciation of intangible assets	50,425	44,461
Exchange difference on long-term debt	81,179	24,743
Issue of class "A" shares for a non-cash consideration	849,415	35,992
Listing fees expensed	140,962	
Net change in working capital items		
Trade and other receivables	805,965	333,410
Scientific research and experimental development tax credits receivable	(45,049)	1,673,943
Work in progress		176,779
Inventories	(209,910)	694,298
Prepaid expenses	(10,257)	(4,270)
Security deposits and deposits on purchase of goods	266,625	(224,591)
Trade and other payables	453,926	463,582
Deferred revenue	(346,616)	721,944
Net cash from operating activities	<u>479,600</u>	<u>535,144</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(210,253)	(176,856)
Purchase of intangible assets	(10,494)	(68,652)
Net cash acquired from reverse acquisition	171	
Net cash from investing activities	<u>(220,576)</u>	<u>(245,508)</u>
<b>FINANCING ACTIVITIES</b>		
Net change in loans payable	(486,535)	(611,302)
Long-term debt	65,000	95,197
Repayment of long-term debt	(63,756)	(52,808)
Issue of class "A" shares	250,000	325,000
Net cash from financing activities	<u>(235,291)</u>	<u>(243,913)</u>
<b>Net increase in cash</b>	<b>23,733</b>	<b>45,723</b>
Cash, beginning of year	<u>123,715</u>	<u>77,992</u>
Cash, end of year	<u>147,448</u>	<u>123,715</u>
<b>Supplementary information</b>		
Interest paid included in operating activities	336,582	897,585

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



**Nuran Wireless Inc.**  
**Consolidated Statements of Financial Position**  
October 31, 2015 and 2014

	2015	2014
	\$	\$
<b>ASSETS</b>		
Current		
Cash	147,448	123,715
Trade and other receivables (Note 6)	845,860	1,651,825
Subscriptions receivable	42,250	
Scientific research and experimental development tax credits receivable	647,810	602,761
Inventories (Note 7)	1,428,955	1,219,045
Prepaid expenses	31,178	20,921
Security deposits and deposits on purchase of goods	80,329	346,954
Current assets	<u>3,223,830</u>	<u>3,965,221</u>
Non-current		
Property, plant and equipment (Note 8)	495,846	396,390
Intangible assets (Note 9)	283,960	323,891
Non-current assets	<u>779,806</u>	<u>720,281</u>
Total assets	<u><u>4,003,636</u></u>	<u><u>4,685,502</u></u>
<b>LIABILITIES</b>		
Current		
Trade and other payables (Note 10)	2,695,518	2,407,460
Deferred revenue	510,161	856,777
Loans payable (Note 11)	544,157	1,030,692
Current portion of long-term debt	24,056	63,757
Current liabilities	<u>3,773,892</u>	<u>4,358,686</u>
Non-current		
Long-term debt (Note 12)	5,466,702	5,344,578
Total liabilities	<u><u>9,240,594</u></u>	<u><u>9,703,264</u></u>
<b>DEFICIENCY</b>		
Share capital (Note 13)	9,519,073	8,070,407
Deficit	(14,756,031)	(13,088,169)
Total deficiency	<u>(5,236,958)</u>	<u>(5,017,762)</u>
Total equity and liabilities	<u><u>4,003,636</u></u>	<u><u>4,685,502</u></u>

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

On behalf of the Board,

“Martin Bedard”

Director

“Patrice Rainville”

Director

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
October 31, 2015 and 2014

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**1 - GOVERNING STATUTES AND NATURE OF OPERATIONS**

Nuran Wireless Inc. is incorporated under the *Business Corporations Act* (British Columbia). Nuran Wireless Inc. and its subsidiary (together, the "Company") operate 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 consolidated financial statements have been prepared in accordance with International Financial Accounting Standards (IFRSs). 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, 2015 and the past years, the working capital deficiency as at October 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 its main products, which are distributed in many countries. In addition, the Company implemented a financing process which closure is planned for February 2016 (Note 23). Adding to the above, the Company currently has a financing agreement in place for financing the invoices and purchase orders to a maximum of \$2,500,000 (Note 11). 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 statements of financial position's classification have not been adjusted as would be required if the going concern assumption were not appropriate.

The consolidated financial statements for the year ended October 31, 2015 (including comparatives) were approved and authorized for issue by the board of directors on February 2, 2016.

**3 - ARRANGEMENT AND AMALGAMATION AGREEMENT**

Nuran Wireless Inc. ("Nuran") was incorporated under the *Business Corporations Act* (British Columbia) on September 23, 2014 under the name "1014372 B.C. Ltd." Nuran was formed in connection with the plan of arrangement (the "Arrangement") between 1014379 B.C. Ltd. and Bravura Ventures Corp. ("Bravura") dated October 14, 2014. The purpose of the Arrangement was to restructure Bravura by creating two companies, which would become reporting issuers in the provinces of British Columbia and Alberta and pursue different lines of business than Bravura.



## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

October 31, 2015 and 2014

#### 3 - ARRANGEMENT AND AMALGAMATION AGREEMENT (Continued)

The final court order approving the Arrangement was received on December 10, 2014 and the Arrangement was closed effective March 11, 2015. Following completion of the Arrangement, Nuran became a reporting issuer in Alberta and British Columbia and existing Bravura shareholders received 2,121,875 common shares of Nuran pursuant to the terms of the Arrangement and a further 5,350,000 common shares were issued to subscribers of a private placement of Nuran completed in connection with the Arrangement for gross proceeds of \$107,000.

Nuran entered into an amalgamation agreement dated as of March 11, 2015 (the "Amalgamation Agreement") with Nutaq Innovation Inc. ("Nutaq") and 9215174 Canada Inc. ("Newco"), a wholly-owned subsidiary of Nuran formed for the purpose of the amalgamation, pursuant to which Nuran acquired all of the issued and outstanding shares of Nutaq in consideration of an aggregate 32,999,994 common shares of Nuran based on a ratio of 2.749 common shares of Nuran for each share of Nutaq issued and outstanding at the closing date. Following the closing of the transaction, as at June 1, 2015, Nuran had 40,471,869 common shares issued and outstanding and former shareholders of Nutaq acquired 81.5% of it. Following closing of the Amalgamation Agreement, the Company operates the prior business of Nutaq through its sole operating subsidiary, Nutaq.

#### Amalgamation transaction

For accounting purposes, Nutaq is the acquirer and the transaction will be accounted for as a reverse takeover. Considering that Nuran does not meet the definition of a business, the transaction will be considered a capital transaction in substance. Accordingly, the transaction is equivalent to the issuance of shares by Nutaq for the net assets of Nuran.

The fair value of the consideration is as follows:

	\$
7,471,875 shares issued and outstanding	107,000
One share issued and outstanding	1
	<u>107,001</u>

The allocation of the consideration is as follows:

	\$
Cash	171
Trade and other payables	(34,132)
Listing fees expensed	140,962
	<u>107,001</u>

For the year ended October 31, 2015, the Company incurred legal and accounting fees directly related to the transaction in the amount of \$1,119,018, which are included in the administrative expenses in the consolidated statements of comprehensive income.

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
October 31, 2015 and 2014

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**4 - SUMMARY OF ACCOUNTING POLICIES**

**Overall considerations**

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

**Basis of consolidation**

The Company financial statements consolidate those of the parent company and its wholly-owned subsidiary as at October 31, 2015. The subsidiary has a reporting date of October 31.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**Foreign currency translation**

*Functional and presentation currency*

The consolidated 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 year are recognized in profit or loss.

Non-monetary items are not retranslated at the end of the year 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.



## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

October 31, 2015 and 2014

#### 4 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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 cannot 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 year 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.

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.

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
 October 31, 2015 and 2014

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**4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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.

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 are 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.



**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
October 31, 2015 and 2014

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**4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their 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 are charged pro rata with the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**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 any provision for impairment. Discounting is omitted where the effect of discounting is immaterial.



**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
October 31, 2015 and 2014

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**4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

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 accounts payable and accrued liabilities, loans payable and the long-term debt.

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

All interest-related charges are reported in profit and loss within financial expenses.

**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.



**Nuran Wireless Inc.****Notes to Consolidated Financial Statements**October 31, 2015 and 2014

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**4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

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.

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. Investment tax 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. Investment tax credits must be examined and approved by 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.



**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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.

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 judgements, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgements, 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 credits requires estimates and 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.

*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.



## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

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#### **4 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

##### **Judgement**

###### *Recognition of long-term service contract revenue*

Recognizing revenue derived from long-term service contracts requires significant judgement in determining milestones and percentages 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.

###### *Going concern*

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

###### *Impairment of non-financial assets*

Determining if there are any facts and circumstances indicating an impairment loss is a subjective process involving judgement.

#### **5 - 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 consolidated 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 consolidated 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 consolidated 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, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.



## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

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#### **5 - STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY (Continued)**

##### **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 consolidated financial statements.

##### **IFRS 16, "Leases"**

In January 2016, the IASB published IFRS 16 which will replace IAS 17, "Leases". IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for assets and liabilities, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

#### **6 - TRADE AND OTHER RECEIVABLES**

	<u>2015</u>	<u>2014</u>
	\$	\$
Trade accounts receivable, gross	3,012,081	3,301,702
Allowance for credit losses	<u>(2,253,460)</u>	<u>(1,776,049)</u>
	758,621	1,525,653
Indirect taxes receivable	<u>87,239</u>	126,172
	<u><u>845,860</u></u>	<u><u>1,651,825</u></u>

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 \$205,800 for the year ended October 31, 2015 (\$342,196 for the year ended October 31, 2014) has been recorded accordingly within administrative expenses.



**Nuran Wireless Inc.**  
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**6 - TRADE AND OTHER RECEIVABLES (Continued)**

The variation of the allowance for credit losses is presented below:

	2015	2014
	\$	\$
Opening balance	1,776,049	3,752,399
Exchange difference on allowance for credit losses	271,611	132,126
Written-off amounts		(2,450,672)
Impairment loss	205,800	342,196
Ending balance	<u>2,253,460</u>	<u>1,776,049</u>

An analysis of unimpaired trade accounts receivable that are past due is presented in Note 20.

**7 - INVENTORIES**

	2015	2014
	\$	\$
Raw materials	785,749	716,248
Finished goods	643,206	502,797
	<u>1,428,955</u>	<u>1,219,045</u>

For the year ended October 31, 2015, a total of \$3,856,812 (\$2,814,442 for the year ended October 31, 2014) of inventories was included in profit or loss as an expense. This includes an amount of \$129,038 (\$111,216 for the year ended October 31, 2014) resulting from the write-down of inventories.

**8 - PROPERTY, PLANT AND EQUIPMENT**

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

	2015			
	Leasehold	Equipment and	Computer	Total
	improvements	furniture, tele- communication system, furniture and fixtures	equipment	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance as at November 1, 2014	9,945	249,971	284,179	544,095
Additions		200,039	10,214	210,253
Balance as at October 31, 2015	<u>9,945</u>	<u>450,010</u>	<u>294,393</u>	<u>754,348</u>
<b>Depreciation and impairment</b>				
Balance as at November 1, 2014	4,417	61,187	82,101	147,705
Depreciation	1,382	57,596	51,819	110,797
Balance as at October 31, 2015	<u>5,799</u>	<u>118,783</u>	<u>133,920</u>	<u>258,502</u>
<b>Carrying amount as at October 31, 2015</b>	<u>4,146</u>	<u>331,227</u>	<u>160,473</u>	<u>495,846</u>

**Nuran Wireless Inc.**  
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**8 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	2014			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
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>
<b>Depreciation and impairment</b>				
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>
<b>Carrying amount as at October 31, 2014</b>	<u><u>5,528</u></u>	<u><u>188,784</u></u>	<u><u>202,078</u></u>	<u><u>396,390</u></u>

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

	2015	2014
	\$	\$
Selling expenses	8,819	8,970
Administrative expenses	55,231	52,367
Research and development costs	46,747	22,155
	<u><u>110,797</u></u>	<u><u>83,492</u></u>

The majority of the Company's computer equipment is held under financial lease agreements. As at October 31, 2015, the net carrying amount of this computer equipment is \$74,365 (\$106,236 as at October 31, 2014) and is included in computer equipment. Financial lease liabilities and future minimum financial lease payments are described in Note 12.



**Nuran Wireless Inc.****Notes to Consolidated Financial Statements**

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**9 - INTANGIBLE ASSETS**

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

	2015		
	Acquired software	Trademarks	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance as at November 1, 2014	377,956	33,570	411,526
Additions	5,227	5,267	10,494
Balance as at October 31, 2015	<u>383,183</u>	<u>38,837</u>	<u>422,020</u>
<b>Depreciation and impairment</b>			
Balance as at November 1, 2014	87,635		87,635
Depreciation	50,425		50,425
Balance as at October 31, 2015	<u>138,060</u>		<u>138,060</u>
<b>Carrying amount as at October 31, 2015</b>	<u>245,123</u>	<u>38,837</u>	<u>283,960</u>
			2014
	Acquired software	Trademarks	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance as at November 1, 2013	315,365	27,509	342,874
Additions	62,591	6,061	68,652
Balance as at October 31, 2014	<u>377,956</u>	<u>33,570</u>	<u>411,526</u>
<b>Depreciation and impairment</b>			
Balance as at November 1, 2013	43,174		43,174
Depreciation	44,461		44,461
Balance as at October 31, 2014	<u>87,635</u>		<u>87,635</u>
<b>Carrying amount as at October 31, 2014</b>	<u>290,321</u>	<u>33,570</u>	<u>323,891</u>

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

## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

October 31, 2015 and 2014

#### 10 - TRADE AND OTHER PAYABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts payable and accrued liabilities		
Companies under common control	590,952	466,104
Directors	4,248	7,790
Others	1,680,811	1,430,776
Salaries and payroll deductions payable	419,507	502,790
	<u>2,695,518</u>	<u>2,407,460</u>

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.

#### 11 - LOANS PAYABLE

	<u>2015</u>	<u>2014</u>
	\$	\$
Loan from Investissement Québec (a)		90,560
Loan from companies under common control (b)	544,157	940,132
	<u>544,157</u>	<u>1,030,692</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) and 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 as at October 31, 2014, and by 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.
- (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, 2015, the Company has \$878,390 (\$1,223,927 as at October 31, 2014) 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 \$334,234 (\$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 October 31, 2015, one of these terms is not respected.



**Nuran Wireless Inc.****Notes to Consolidated Financial Statements**

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**12 - LONG-TERM DEBT**

	<u>2015</u>	<u>2014</u>
	\$	\$
Notes payable to a shareholder (a)	1,548,375	1,467,195
Term loan from Canada Economic Development (b)	400,000	360,000
Obligation under a financial lease agreement with a company under common control (c)	24,056	87,813
Notes payable to a company under common control, 6%, secured by a chattel mortgage on the universality of all the Company's assets (d)	3,518,327	3,493,327
	<u>5,490,758</u>	<u>5,408,335</u>
Current portion	24,056	63,757
	<u>5,466,702</u>	<u>5,344,578</u>

- (a) The notes payable to a shareholder bear interest at 6%, have no repayment terms and include a note payable of US\$450,000 (\$588,375 as at October 31, 2015; \$507,195 as at October 31, 2014).
- (b) The term loan from Canada Economic Development does not bear interest, is payable in monthly instalments of \$6,667 as of June 1, 2017 and matures in May 2022.
- (c) The obligation under a financial lease agreement with a company under common control is secured by computer equipment having a carrying amount of \$74,365, bears interest at a rate of 18.99%, is payable in blended monthly instalments of \$6,255 and matures in March 2016.

Future minimum financial lease payments as at October 31, 2015 were as follows:

	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>After 5 years</u>	<u>2015</u>
	\$	\$	\$	Total
Lease payments	25,021			25,021
Financial charges	(965)			(965)
Net present values	<u>24,056</u>			<u>24,056</u>

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

- (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.

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 \$5,348,612.

## Nuran Wireless Inc.

### Notes to Consolidated Financial Statements

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#### 13 - 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.

- Common shares, voting and participating
- Preferred shares

In 2014, Nutaq's share capital consisted 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>2015</u>	<u>2014</u>
	\$	\$
Common shares (class "A" shares in 2014) (a)	9,519,073	8,070,307
Class "B" shares (100 shares as at October 31, 2014)		100
	<u>9,519,073</u>	<u>8,070,407</u>

(a) The number of issued common shares totals 40,471,869 as at October 31, 2015 (10,424,696 class "A" shares as at October 31, 2014).

In addition to Note 3, during the year ended October 31, 2015, Nutaq issued 343,823 class "A" shares for a cash consideration of \$50,000 and a 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 accounts payable and accrued liabilities totalling \$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.

#### 14 - 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.



**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**15 - INCOME TAXES**

**Current tax expense**

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Income tax recovery calculated on the basis of the statutory rate in Canada of 26.9% (26.9% in 2014)	(448,655)	(938,444)
Increase (decrease) of the following items:		
Adjustment on asset acquisition		
Non-deductible expenses	90,461	222,679
Prior year adjustment (a)	(4,600,526)	
Federal and provincial losses expired including prior year adjustment (a)	396,743	
Change in unrecognized deferred tax assets	4,507,762	704,254
Other	54,215	11,511
Income tax expense in the statements of comprehensive income	<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 2015 and 2014) and the reported tax expense in profit or loss (nil for each of the reporting years) is the increase of unused tax losses and deductible temporary differences for which no deferred tax assets are recognized and prior year adjustment.

**Deferred income taxes**

Unrecognized deductible temporary differences and unused tax losses consist of the following:

	<u>2015</u>	<u>2014</u>
	\$	\$
Property, plant and equipment and intangible assets	281,023	199,378
Research and development expenses (b)	3,014,555	3,460,529
Other provision	119,160	37,980
Unused tax losses (a) (c)	23,112,643	4,960,290
Financing expenses	138,228	33,708
Charitable donations carried forward	52,218	
Unrecognized deferred tax assets	<u>26,717,827</u>	<u>8,691,885</u>

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**15 - INCOME TAXES (Continued)**

- (a) The prior year adjustment is mainly caused by the modifications made to the assessment for the taxation year 2012. The government accepted the whole notice of objection for this year and changed the assessment accordingly. More specifically, the government initially refused an interest expense on the pretext that deduction criteria were not met. It also applied the provisions related to capital gains to an equity investment in Nutaq made without consideration. This gain mainly reduced the non-capital losses balance for the previous years. The acknowledgement of the interest expense and cancellation of the capital gain resulted in an increase of the non-capital losses balance that can be deferred to future years. The prior year adjustment is mainly due to non-capital losses for 2005 to 2012 that have been restated.
- (b) Temporary differences from unused research and development expenses shown in this table are those from the federal. For the provincial, the differences total \$8,757,943 as at October 31, 2015 and \$8,647,120 as at October 31, 2014.
- (c) The Company has unused tax losses from its operations totalling \$23,112,643 for the federal and \$23,111,598 for the provincial that may be carried forward and applied against taxable income over the following years:

	<u>Federal</u>	<u>Provincial</u>
	\$	\$
Years ending October 31:		
2026	4,712,873	4,453,027
2027	7,111,602	7,154,676
2028	839,160	839,160
2029	1,011,425	1,011,425
2030		
2031	1,733,354	2,290,484
2032	319,624	
2033	1,909,838	1,915,411
2034	5,191,898	5,163,379
2035	282,869	284,036
	<u>23,112,643</u>	<u>23,111,598</u>



**Nuran Wireless Inc.**  
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**16 - FINANCIAL EXPENSES**

Financial costs consist of the following:

	<u>2015</u>	<u>2014</u>
	\$	\$
Foreign exchange gain	177,935	138,925
Factoring fees	317,496	428,530
Bank charges	15,384	11,023
Interest expenses for financial liabilities at amortized cost		
Current liabilities	100,944	182,036
Non-current liabilities	323,065	766,303
	<u>934,824</u>	<u>948,339</u>
Interest expense on financial lease agreements	11,320	22,183
	<u>946,144</u>	<u>1,549,000</u>

**17 - EMPLOYEE REMUNERATION**

Expenses recognized for employee benefits such as wages, salaries and social security costs total \$2,708,546 for the year ended October 31, 2015 (\$3,091,171 for the year ended October 31, 2014).

**18 - OPERATING LEASES**

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

Years ending October 31:	<u>\$</u>
2016	171,136
2017	173,452
2018	175,780
2019	4,080
2020	680
	<u>525,128</u>

The office's lease agreement expires in October 2018 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>2015</u>	<u>2014</u>
\$	\$
<u>156,183</u>	<u>154,576</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.

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**19 - 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 \$389,543 for the year ended October 31, 2015 (\$488,809 for the year ended October 31, 2014).

**Other related party transactions**

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Companies under common control		
Administrative expenses	816,012	266,561
Financial expenses	538,944	1,104,305

**20 - 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>2015</u>	<u>2014</u>
	\$	\$
Financial assets classified as loans and receivables		
Cash	147,448	123,715
Trade accounts receivable	758,621	1,525,653
Security deposits and deposits on purchase of goods	80,329	346,954
	<u>986,398</u>	<u>1,996,322</u>



**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**20 - FINANCIAL INSTRUMENTS RISK (Continued)**

	<u>2015</u>	<u>2014</u>
	\$	\$
Financial liabilities carried at amortized cost		
Trade accounts payable	2,276,011	1,875,058
Loans payable	544,157	1,030,692
Long-term debt	<u>5,490,758</u>	<u>5,408,335</u>
	<u>8,310,926</u>	<u>8,314,085</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.

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>2015</u>	<u>2014</u>
	\$	\$
Cash	30,858	18,410
Trade accounts receivable	738,695	1,345,882
Trade and other payables	556,992	1,451,507
Long-term debt	588,375	507,195

**Nuran Wireless Inc.**  
**Notes to Consolidated Financial Statements**  
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**20 - FINANCIAL INSTRUMENTS RISK (Continued)**

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 \$18,800 for the year ended October 31, 2015 (\$29,700 for the year ended October 31, 2014) 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.

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:

	2015	2014
	\$	\$
No more than three months	645,134	863,368
More than three months but no more than six months	10,517	178,309
More than six months but no more than one year	48,176	250,049
More than one year	54,794	233,927
	<u>758,621</u>	<u>1,525,653</u>

As at October 31, 2015, there are disputes for the recovery of some receivables. The total value of these receivables as at October 31, 2015 is \$24,110 (\$206,461 as at October 31, 2014) 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 47% of its trade accounts receivable are due from three customers (57% from one customer as at October 31, 2014).

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



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**20 - FINANCIAL INSTRUMENTS RISK (Continued)**

**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.

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

	2015				
	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	2,276,011				2,276,011
Loans payable	544,157				544,157
Long-term debt	177,022	152,001	5,340,049	126,653	5,795,725
	<u>2,997,190</u>	<u>152,001</u>	<u>5,340,049</u>	<u>126,653</u>	<u>8,615,893</u>
					2014
	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>

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

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**20 - FINANCIAL INSTRUMENTS RISK (Continued)**

**Fair value**

Financial assets and financial liabilities measured at amortized cost which 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.

**21 - 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.

**22 - 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:

	<u>2015</u>	<u>2014</u>
	\$	\$
Rendering of services	798,894	676,455
Sale of goods	<u>7,008,561</u>	<u>4,916,975</u>
Total	<u><u>7,807,455</u></u>	<u><u>5,593,430</u></u>



**Nuran Wireless Inc.**  
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**22 - SEGMENT INFORMATION (Continued)**

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Canada	381,764	348,083
United States	5,273,174	3,366,653
Other countries	<u>2,152,517</u>	<u>1,878,694</u>
Total	<u><u>7,807,455</u></u>	<u><u>5,593,430</u></u>

The Company is exposed to a credit risk concentration because 56% of its revenues are from one customer for the year ended October 31, 2015 (41% from one customer for the year ended October 31, 2014).

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

**23 - POST-REPORTING DATE EVENTS**

On December 22, 2015, the Company has completed a non-brokered private placement of debentures for gross proceeds of \$735,000. The debenture bears interest at a rate of 12% per annum, is unsecured and will mature at the earlier of 90 days from the closing or the completion of an equity offering. For each \$0.30 of the debenture amount, debenture holders received one whole share purchase warrant exercisable for a period of 24 months following the closing at a price of \$0.45. The Company will have the right to repay the debenture at any time upon notice to the debenture holder.