

Nuran Wireless Inc.
Condensed Interim Consolidated
Financial Statements
January 31, 2016 and
January 31, 2015

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The condensed interim consolidated financial statements of Nuran Wireless inc. for the first quarter ended January 31, 2016 as well as the corresponding comparative data were not subject to a review by the Company's auditor.

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

Periods ended January 31, 2016 and January 31, 2015

(In Canadian dollars)

(Unaudited)

	<i>3 months ended</i>	
	<u>2016-01-31</u>	<u>2015-01-31</u>
	\$	\$
Revenue	1 580 519	1 974 172
Cost of sales	<u>716 429</u>	<u>968 573</u>
Gross profit	<u>864 090</u>	<u>1 005 599</u>
Selling expenses	250 589	284 178
Administrative expenses	267 132	1 082 005
Financial expenses	245 500	302 399
Research and development costs, net of \$161,663 in tax credits for the three-month period ended January 31, 2016, (\$132,340 for the three-month period ended January 31, 2015)		
	<u>330 054</u>	<u>203 687</u>
	<u>1 093 275</u>	<u>1 872 269</u>
Loss before other gain (loss)	(229 185)	(866 670)
Other gain (loss)	30 386	
Net loss and total comprehensive income	<u>(198 799)</u>	<u>(866 670)</u>
Loss per share (Note 10)		
Basic and diluted loss per share	<u>(0,00)</u>	<u>(0,08)</u>
Weighted average number of outstanding common share	<u>40 471 869</u>	<u>11 075 927</u>

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

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Cash Flows**

Periods ended January 31, 2016 and January 31, 2015

(In Canadian dollars)

(Unaudited)

	<u>2016-01-31</u> <u>(3 months)</u>	<u>2015-01-31</u> <u>(3 months)</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(198 799)	(866 670)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	34 082	25 358
Depreciation of intangible assets	12 515	11 495
Exchange difference on long-term debt	41 895	64 800
Issue of class "A" shares for a non-cash consideration		696 415
Issue of warrants	124 950	
Net change in working capital items		
Trade and other receivables	(811 655)	641 842
Subscription receivable		
Scientific research and experimental development tax credits receivable	(161 663)	(132 340)
Work in progress		(46 795)
Inventories	149 118	1 677
Prepaid expenses	(28 265)	(25 882)
Security deposits and deposits on purchase of goods	(74 930)	(190 525)
Trade and other payables	(200 764)	494 944
Deferred revenue	(244 383)	(1 159)
Net cash from operating activities	<u>(1 357 898)</u>	<u>673 160</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(30 292)	(178 514)
Purchase of intangible assets	(954)	(3 022)
Net cash acquired from reverse acquisition		
Net cash used in investing activities	<u>(31 246)</u>	<u>(181 536)</u>
FINANCING ACTIVITIES		
Net change in loan payable	1 310 960	(583 880)
Long-term debt		
Repayment of long-term debt	(17 897)	(14 797)
Issue of class "A" shares		50 000
Net cash used in financing activities	<u>1 293 063</u>	<u>(548 677)</u>
Net decrease in cash	<u>(96 081)</u>	<u>(57 053)</u>
Cash, beginning of period	<u>147 448</u>	<u>123 715</u>
Cash, end of period	<u>51 367</u>	<u>66 662</u>
Supplementary information		
Interest paid included in operating activities	18 142	82 576

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

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Financial Position**

As at January 31, 2016 and October 31, 2015

(In Canadian dollars)

(Unaudited)

	<u>2016-01-31</u>	<u>2015-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	51 367	147 448
Trade and other receivables	1 657 515	845 860
Subscriptions receivable	42 250	42 250
Scientific research and experimental development tax credits receivable	809 473	647 810
Inventories (Note 5)	1 279 837	1 428 955
Prepaid expenses	59 443	31 178
Security deposits and deposits on purchase of goods	155 259	80 329
Current assets	<u>4 055 144</u>	<u>3 223 830</u>
Non-current		
Property, plant and equipment (Note 6)	493 015	495 846
Intangible assets	271 445	283 960
Non-current assets	<u>764 460</u>	<u>779 806</u>
Total assets	<u><u>4 819 604</u></u>	<u><u>4 003 636</u></u>
LIABILITIES		
Current		
Trade and other payables	2 494 760	2 695 518
Deferred revenue	265 778	510 161
Loans payable (Note 7)	1 855 116	544 157
Current portion of long-term debt	6 159	24 056
Current liabilities	<u>4 621 814</u>	<u>3 773 892</u>
Non-current		
Long-term debt (Note 8)	5 508 597	5 466 702
Total liabilities	<u><u>10 130 411</u></u>	<u><u>9 240 594</u></u>
DEFICIENCY		
Share capital (Note 9)	9 519 073	9 519 073
Valuation of warrants issued with debentures	124 950	
Deficit	<u>(14 954 830)</u>	<u>(14 756 031)</u>
Total deficiency	<u>(5 310 807)</u>	<u>(5 236 958)</u>
Total deficiency and liabilities	<u><u>4 819 604</u></u>	<u><u>4 003 636</u></u>

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

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2016 and January 31, 2015

(In Canadian dollars)

(Unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company is incorporated under the Business Corporations Act (B.C.) 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 consolidated 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 consolidated financial statements should be read in conjunction with the 2014 audited annual financial statements of Nutaq Innovation Inc included in the Listing Form 2A dated September 16, 2015 as completed and published on the CSE. 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 nine-month period ended July 31, 2015 and the past years, the working capital deficiency as at July 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 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 7). 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 consolidated financial statements and the condensed interim consolidated 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 consolidated financial statements were approved and authorized for issue by the Board of Directors on March 29, 2016.

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

3 - THE ARRANGEMENT AND AMALGAMATION AGREEMENT

Nuran Wireless Inc. (the "Company") was incorporated under the *Business Corporations Act* (B.C.) on September 23, 2014 under the name "1014372 B.C. Ltd." The Company 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.

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, the Company became a reporting issuer in Alberta and British Columbia and existing Bravura shareholders received 2,121,875 common shares of the Company pursuant to the terms of the Arrangement and a further 5,350,000 common shares were issued to subscribers of a private placement of the Company completed in connection with the Arrangement for gross proceeds of \$107,000.

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

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>

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Notes to Condensed Interim Consolidated Financial Statements

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The allocation of consideration is as follows:

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

For the nine months period ended July 31, 2015, the Company incurred legal and accounting fees directly related to the transaction in the amount of \$1,099,714, which are included in the administrative expenses in the consolidated statements of comprehensive income

4 - 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.

5 - INVENTORIES

	<u>2016-01-31</u>	<u>2015-01-31</u>
	\$	\$
Raw materials	624 940	711 290
Finished goods	654 897	506 078
	<u>1 279 837</u>	<u>1 219 045</u>

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For the three-month period ended January 31, 2016, \$9,070 (\$15,348 for the three-month period ended January 31, 2015) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

6 - PROPERTY, PLANT AND EQUIPMENT

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

	2016-01-31			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2015	9 945	450 010	294 393	754 348
Additions		24 769	6 483	31 252
Balance as at January 31, 2016	<u>9 945</u>	<u>474 779</u>	<u>300 876</u>	<u>785 600</u>
Depreciation				
Balance as at November 1, 2016	5 799	118 784	133 920	258 503
Depreciation	345	20 019	13 718	34 082
Balance as at January 31, 2016	<u>6 144</u>	<u>138 803</u>	<u>147 638</u>	<u>292 585</u>
Carrying amount as at January 31, 2016	<u><u>3 801</u></u>	<u><u>335 976</u></u>	<u><u>153 238</u></u>	<u><u>493 015</u></u>

7 - LOANS PAYABLE

	2016-01-31	2015-10-31
	\$	\$
Loan from companies under common control (a)	597,316	544,157
Unsecured debentures (b)	735,000	
Valuation of warrants issued with debentures (c)	(124,950)	
Cost of issuing debentures	(39,150)	
	<u>1,168,216</u>	<u>544,157</u>

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(Unaudited)

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

- a) 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, 2016, the Company has \$597,316 (\$544,157 as at October 31, 2015) 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 \$442,821 (\$334,234 as at October 31, 2015) 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, 2016, these terms are not respected.

- b) On December 22, 2015 the Company closed a non-brokered private placement of debentures for gross proceeds of \$735,000. The Debentures bear interest at a rate of 12% per annum, are unsecured and will mature on the date that is the earlier of: (i) ninety days after closing of the transaction; or (ii) the next completed equity offering. For each \$0.30 of the Debenture amount, debenture-holders received one whole share purchase warrant exercisable for period of 24 months following closing at a price of \$0.45. The Corporation will have the right to repay the debenture at any time upon notice to the debenture-holder. In connection with the financing the Company paid finders fees in the amount of \$23,150.
- c) The warrants were assigned a value of \$124,950 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.48%; expected volatility 89%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies.

8 - 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 \$5,357,856.

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(In Canadian dollars)

(Unaudited)

9 - SHARE CAPITAL

	<u>2016-01-31</u>	<u>2015-10-31</u>
	<u>\$</u>	<u>\$</u>
Class "A" shares (a)	<u>9,519,073</u>	<u>9,519,073</u>
	<u>9,519,073</u>	<u>9,519,073</u>

(a) The number of issued class "A" shares totals 40,471,869 at January 31, 2016 (40,471,869 as at October 31, 2015).

10 – WARRANTS

The following is a summary of the activity of warrants:

	<u>Three months ended January 31, 2015</u>	
	Number of warrants	Weighted average exercise price
Balance, beginning of period	-	-
Granted during the period	2,450,000	\$ 0.45
Balance, end of period	2,450,000	\$ 0.45

The following is a summary of warrants outstanding at January 31, 2015:

	Number outstanding	Value
Issued December 22, 2015		
Exercise price of \$0.45 expiring December 22, 2017	2,450,000	\$ 124,950
	2,450,000	\$ 124,950

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(In Canadian dollars)

(Unaudited)

10 - 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.

11 - 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:

	2016-01-31	2015-01-31
	(3 months)	(3 months)
	<u>\$</u>	<u>\$</u>
Companies under common control		
Administrative expenses	52 743	485 243
Financial expenses	129 987	133 952